

# Could Alberta eliminate personal income tax?

## In this Issue:

- The Throne Speech Unplugged
- Medicare Orthodoxy
- Residential school law suits

**CTF wins  
Treaty 8  
Appeal  
see page 2**

## From the editor

Troy Lanigan is the CTF's  
National Communications Director  
[tlanigan@sk.sympatico.ca](mailto:tlanigan@sk.sympatico.ca)



### What ever became of the Reform Party?

There was a time when the Canadian Taxpayers Federation (CTF) stood with the Reform Party on many issues.

But oh how times change.

Now the Canadian Alliance, the Party is but a shell of its former self, increasingly indistinguishable from the other brokerage parties occupying the federal Parliament.

Prior to and during last fall's federal election the party defended Employment Insurance as it currently exists, embraced the NDP/Liberal policy on health care (throw more money at the state monopoly), and all but ran away from long-held and sensible positions on single-rate income tax and citizen-initiated referendums.

It doesn't stop there.

Because what elevated the Reform/Alliance to Official Opposition status had as much to do with 'leading by example' than it did anything else. Remember? Elect us and we'll do politics differently. Stornoway was going to be a bingo hall and MP pensions were "obscene" and reserved for "porkers"?

Of course readers of this publication will know that all but three Alliance MPs previously opted out of the MP pension plan "on princi-

ple" are now back in with both feet and snout intact. But worse than lining their pockets was how they went about it.

First, these MPs conveniently waited until *after* the recent election before declaring their intention to re-enter the pension plan. Second, was the nauseating demagogu-

**“the Canadian Alliance is ... increasingly indistinguishable from the other brokerage parties occupying the federal parliament”**

ery dressed up as justification for their decisions. Reform/Alliance matriarch Deb Gray said she opted back in for the "security of her family".

Get me a bucket. Is it just me or is Ottawa surrounded by mirrors? What about the rest of us Ms. Gray? We'd all like to provide "security for our families" but are a little busy right now paying taxes so you can enjoy a pension that would make an Arab sheik blush.

Of long held opposition to the pension plan, Alliance House Leader Chuck Strahl says "it was a

combination of idealism and ignorance ... we made a mistake." Well Mr. Strahl, a good many voters feel the same way about having believed that the words and actions of you and your colleagues were sincere, honourable and enduring.

#### **Court Victory!**

As this issue of *The Taxpayer* was being put to bed a federal court decision came down in Vancouver granting the CTF "leave to intervene" in an important case between the federal government and Treaty 8 Indians set to begin in May 2001.

The CTF opposes an application by Treaty 8 Indians (northern Alberta, Saskatchewan and BC) to be exempt from paying all taxes, anywhere in Canada. The CTF fears a precedent that would establish taxation being applied on the basis of race.

The Vancouver decision represents a successful appeal after Justice Campbell in Edmonton federal court had earlier ruled against the CTF's intervention.

Congratulations to all our supporters. Watch for more developments in a future issue of *The Taxpayer*.



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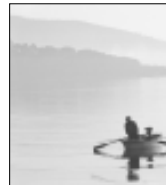
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### **For more information or to contact the CTF:**

#### **Sask./Admin:**

#110 - 438  
Victoria Ave. E.  
Regina, SK  
S4N 0N7  
(306) 352-1044.

#### **British Columbia:**

#604-1207  
Douglas St.,  
Victoria, BC  
V8W 2E7  
(250) 388-3660.

#### **Alberta:**

#410 - 9707  
110th St.,  
Edmonton, AB  
T5K 2L9  
(780) 448-0159.

#### **Manitoba:**

#212 - 428  
Portage Ave.,  
Winnipeg, MB  
R3C 0E2  
(204) 982-2150.

#### **Ontario/Ottawa:**

#512 - 130  
Albert St.,  
Ottawa, ON  
K1P 5G4  
(613) 234-6554

#### **Web site:**

[www.taxpayer.com](http://www.taxpayer.com)

#### **E-mail:**

[canadian@sk.sympatico.ca](mailto:canadian@sk.sympatico.ca)



# Letters-to-the-editor

## No Accountability

Can something be done about the discrepancy of taxes paid and services received by our federal government? Alliance MP Ted White tabled documents showing that 90% of the \$2.3 billion in federal highways spending will go to eastern provinces. Apparently, \$360 million is taken from B.C. alone in gas taxes annually, yet only \$15 million is returned toward transportation needs.

The problem is that the federal Liberals don't like dedicating specific tax revenues for spending in particular areas. They would rather take all tax money and distribute it as they see fit. This eliminates any accountability -- fiscally and politically -- as they don't have to show why these taxes are being collected in relation to how they are spent.

*Martin Walker, e-mail,  
New Westminster, B.C.*

## Capital Gains counter productive

We started a small business in 1956 and built a number of warehouses. We want to sell, but can't because there would not be enough income to live on after paying capital gains tax and personal income tax.

The capital gains tax should have an inflation clause for long-term businesses in order to get an accurate picture how much the company

increased in value before it is sold. I also think that with less capital gains tax, the dollar would improve and there would be more incentive for investment.

*E.J. (letter),  
Calgary, AB*

## MPs underpaid

Your article on MPs' pensions is pathetic. First, their salary is not \$110,000. To reach that figure, one must include the tax free allowance that is provided for expenses.

Second, your table assumes all eligible will collect starting at age 55. Unless, voters throw out the likes of Lorne Nystrom and George Baker, neither will get anywhere close to the inflated numbers quoted.

Third, pensions are only one component of an MP's remuneration. Before you publish more of this, why don't you make comparisons with other elected officials

around the world; or better yet with Canadian salaries for judges (\$178,000), engineers or doctors.

Fourth, my experience is that one receives what we pay for: if you want monkeys, pay them peanuts. We pay too little for quality people and too much for the bozos who can't earn as much in the real world. We don't pay all hockey players the same, so why politicians? Pay them 10% over their last two year's tax returns, no pensions and index their salary to the cost of living. If somebody commands \$300,000 in the real world and the voters elect her, (him), pay it. They might be a bargain.

If your concern is the overall cost of Parliament, why not reduce the number of MPs to one third the current members. Currently, an MP represents 100,000 people, while the US equivalent has 620,000 constituents.

*Paul Gagnon, (letter)  
Calgary, AB*

## Letters to the Editor

Letters may be edited for length and content. Send them to:  
*The Taxpayer*, 105-438 Victoria Ave. E, Regina, SK S4N 0N7  
E-mail:  
canadian@sk.sympatico.ca





## Waste Briefs

# Waste Watch

ironically titled "Creating Opportunity: The Liberal Plan for

When Jean Carle, a senior aide to Prime Minister Jean Chretien, got a senior position at the federally owned Federal Development Bank of Canada (FDBC) in 1998, the Prime Minister's office insisted he was qualified for the job. (This despite the fact he had no banking experience.) As proof, the feds said Carle got the position as a result of a job search done by an independent consultant. Well, the "executive search" group that recommended Carle to the job is chaired by the former wife of Michel Vennat, the Bank's current president! Vennat is a long-time Liberal with close connections to Chretien.

This news comes on the heels of accusations last fall that the Prime Minister used his connections with Vennat to get a loan worth \$615,000 for another friend so he could buy the Auberge Grand-Mere Inn. Now we find out that, until recently, Vennat had business ties with Jean Chretien's daughter. Some MPs suggest the FDBC is turning into a family business for Chretien and associates. Not surprisingly, the Liberal government defeated an opposition motion in early February calling for an independent ethics commissioner who would look into these type of allegations. In its now infamous "Red Book,"

Canada", the Liberals promised to institute such a position. However, when it became clear that an ethics commissioner might crimp their style, the idea was squashed. - *Globe & Mail*

■ ■ ■

In the last issue of *The Taxpayer*, we reported on the scandal surrounding the alcohol treatment centre on the Sagkeeng Indian Reserve just north of Winnipeg. They were accused of using taxpayer money to send employees on a 'professional development seminar' on a cruise ship. Officials with the Centre insisted the money was provided through bingo proceeds. But then came the revelations of a long list of questionable spending at the Centre. The Federal government asked the Centre for its books to conduct an audit. When the Centre refused, Ottawa stopped its funding and took the treatment centre to court to get back some of its money. Well, the judgment just came down and the judge ruled that there was strong evidence that taxpayer money was used to send employees on the cruise. The judge ordered the agency to turn over its books for a forensic audit of its affairs. - *Globe & Mail*

■ ■ ■

Things didn't go so well for taxpayers in another court case involving natives. Taxpayers took it on the chin when eight Mohawk natives in Quebec were fined \$24 million each (\$192 million) for smuggling cigarettes into Canada. The fine represented the five cents in excise tax lost on each illegally sold cigarette. The feds were largely to blame, because it was their high taxes that created the smuggling ring in the first place. Though millions of dol-



**Travelling the world -  
it's all part of the  
disguise of our  
secret service  
MPs**

## Waste Watch

lars must have been made on the sale of these contraband cigarettes, the court ruled those charged won't have to pay the fine, and will only have to serve between one to two years of jail time in their community for the offence. - *National Post*

■ ■ ■

City councillors in Kitchener, Ontario voted to hike their salaries by a whopping 60%: from \$24,000 to \$37,800. Everybody would love a part-time job where they can set their own pay and perks. The Mayor also saw his salary increase 20%, from \$56,639 to \$68,000. The increase set the stage for big salary hikes for city employees as one councillor, in a vain attempt to justify his hefty pay hike, said almost all government employees are underpaid. Yeah, right. Councillors in the neighbouring city of Waterloo earn \$18,000 a year which was increased from \$11,400 a year earlier. - *Torstar News Service*

■ ■ ■

When the City of Windsor enticed its chief of Police to resign 10 months before his contract came due, the city bought the former chief's condo for \$329,900 as part of his severance package. They paid this amount despite the fact a

similar condo in the area sold for just \$225,000 days earlier.

After buying the condo, the city listed it for sale at \$299,000 and eventually sold it for \$240,000. After paying real estate, legal and maintenance fees, Windsor's taxpayers are expected to lose \$120,000 on the deal. - *Windsor Star*

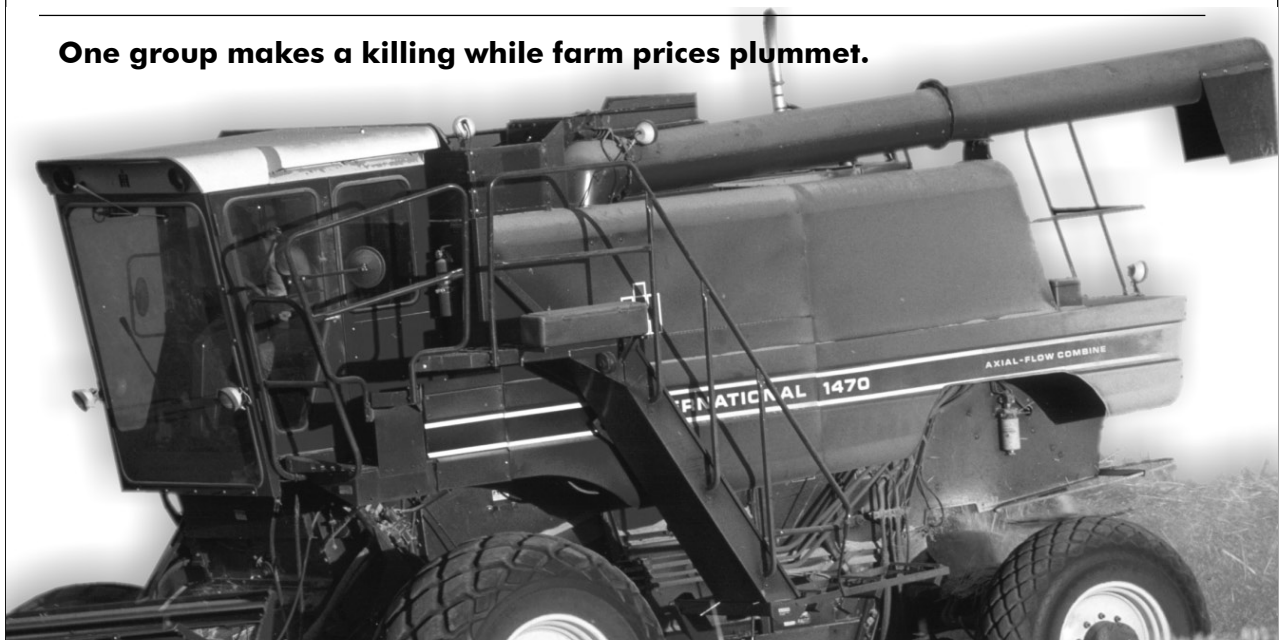
■ ■ ■

Liberal MP Marlene Jennings from Montreal, recently put forward a bill to have Parliament hire a professional poet. This poet laureate would receive an honorary stipend of \$25,000 a year. According to Ms. Jennings the poet could compose poems of major political events in our parliamentary history and then read them in the House of Commons and Senate. As if the House isn't boring enough already. - *National Post*

■ ■ ■

A single mother in Toronto stole \$15,000 from the provincial welfare system so she could send her daughter to elite dancing schools in Europe. The unrepentant mother, who said she would do it again if she had the chance, lied to welfare officials claiming she was out of work between 1994 to 1996. She was finally caught by the welfare fraud unit who noticed that the woman was also

**One group makes a killing while farm prices plummet.**



# Waste Watch

paying EI premiums. She is expected to be sentenced to three to five months in jail. - *National Post*

■ ■ ■

A recent report calls on Ottawa to increase the salaries of some 3,300 senior civil servants by 8% a year. It is expected that the feds will rubber stamp the raise. This would put the base salaries of senior deputy ministers at about \$245,000 a year, substantially more than the Prime Minister who's only worth \$166,900 a year. Senior bureaucrats are also eligible for performance bonuses of up to 20% of their pay depending on how well they do their job. This was the same bonus that Jane Stewart decided to pay her senior bureaucrats to clean up the \$1 billion boondoggle at Human Resources Development Canada — a screw-up they themselves created. Public sector union leaders are drooling over the prospects of similar pay hikes when they renegotiate contracts.

- *Ottawa Citizen*

■ ■ ■

Canada Council, Ottawa's slush fund for the arts, recently approved a grant to construct 10 gardens made up entirely of dandelions. That project will cost taxpayers \$5,000. Most Canadians didn't realize they had works of art in their back yards.

- *The Waste Report*

■ ■ ■

Going from the crazy to the absurd, the National Film Board (NFB) sent one of its directors to a 1999 porno conference in Las Vegas which cost

taxpayers \$7,315.23. It was the second such trip for this director.

The NFB also sent him to the 1998 World Pornography Conference in Los Angeles at a cost of \$2,328.13. And here's the kicker: the NFB gave \$123,924.34 for a project entitled "A film on the history of kissing, as well as an exploration of the contemporary and cultural significance of kissing." - *The Waste Report*

■ ■ ■

An immigrant let into Canada in 1999 is suing Ottawa for \$1.5 million. When Gaspare Benjamin, a singer from the Dominican Republic, came to Canada, a doctor with the Department of Immigration diagnosed him with having an inactive form of TB. In fact, Benjamin had a very virulent form of TB which is resistant to drug therapy. Benjamin infected his wife and possibly 90 other people. As well, another 1,500 people were exposed to the disease. Benjamin is suing on the grounds that by misdiagnosing his disease, the Department prevented him from getting earlier treatment. He is also seeking personal damages

because he and his wife are now separated as a result of their quarantine. His wife along with her son and two family friends are also suing the federal government. -

*Globe & Mail / National Post*

## Millions spent on propaganda

The CTF's British Columbia division released an access to information request on the provincial government's advertising since 1991. The information shows

**No longer satisfied with second place, Bombardier goes for the gold. Taxpayers finish last in this race.**



# Waste Watch

that ad spending regularly spiked before elections and dropped noticeably afterwards.

Ad spending went from \$2.63 million in fiscal year 1992 to \$9.44 million in 1996 (election year) and then dropped to \$5.3 million the next year. Due in part to advertising on the Nisga'a Treaty, 1999 was an aberration when the provincial government spent \$10.8 million. But the advertising bill dropped to \$5.9 million in 2000 and is expected to climb to \$9.8 million in this, another election year.

The numbers do not include the cost of publications or pamphlets produced by ministries, or advertising and publications produced by Crown corporations.

"Governments of every political stripe use taxpayer money for partisan purposes and for feel-good ads," said CTF director Mark Milke.

To help government curb its appetite for taxpayer-funded ads, the Federation drafted model legislation dubbed the *Government Ad-*

*vertising Standards Act*. The legislation, if passed, would empower an ethics commissioner to review government advertising deemed wasteful or partisan by a MLA.

Back in 1997, in reference to the provincial gag law on citizen advertising which prevented private citizens from advertising during elections, now Premier Ujjal Dosanjh said, "we don't want to be held hostage to large amounts of money, whether public or private,

in terms of any campaign." Milke called on the Premier to free the hostages - taxpayers -

from having to fund ads that are completely unnecessary.

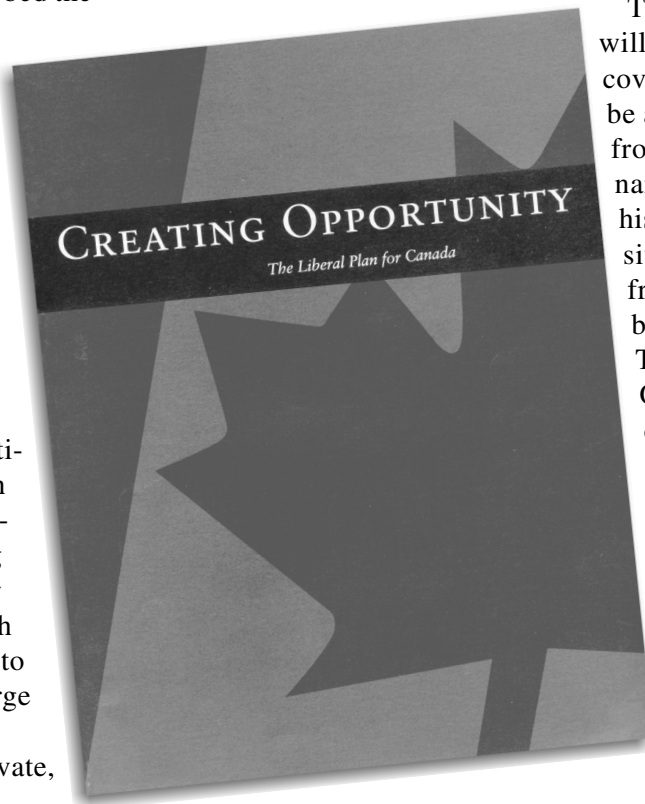
*CTF files*

## Around-the-world

Taxpayers will fork over \$50,000 so five MPs and two senators can enjoy the good life on the sunny beaches of a Chilean resort. They are flying under disguise, though, pretending to be parliamentary representatives to the 'Asia Pacific Parliamentary Forum' being held, coincidentally, at the same resorts these politicians are visiting.

Jacuzzi socialist Svend Robinson, an NDP MP from BC, stuck to character when he said this trip will be an important fact finding tour that will provide invaluable educational opportunities. Snicker.

The three other MPs who will be travelling undercover on this mission will be a Liberal back bencher from Ontario who uses the name Byron Wilfert on his passport, a Progressive Conservative MP from Ontario who goes by the code name Greg Thompson and a Bloc Quebecois MP known only as Antoine Dube. The two senators attending the "conference" are Noel Kinsella from New Brunswick and Dan Hays from Alberta. They will need to put extra work into their character disguise



**The title of the Liberal Red book says it all...**

# Waste Watch

since they are supposed to be “working.”

This mission is but one of 47 that MPs and bureaucrats can choose from this year all paid for by taxpayers. They can explore the barrier reef in Australia, examine the capitals of Europe or uncover lands of mystery such as Cambodia.

Of course, those attending will have to undergo extensive secret service training as these missions will be cleverly disguised as Parliamentary duties. As a member of nine Parliamentary associations, Ottawa is expected to send representatives to the best resorts and hotels around the globe. The federal government will spend close to \$3 million this year on these missions. No indication of how much of this will be spent on disguises.

*Ottawa Citizen*

## It's criminal

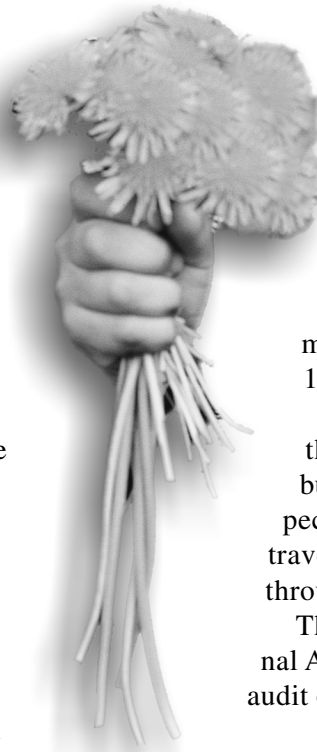
Taxpayers just forked over \$215,000 in an out-of-court settlement because Corrections Canada transferred a career criminal to a half way house in Abbotsford, B.C. When the staff failed to check James Armbruster's record to see what type of risk he posed to society, they allowed him out on the streets of Abbotsford unescorted.

Four days after his arrival, he stole a fillet knife from the centre and raped a wife and mother of three at a local health food store.

Armbruster has made a career of illegal activities having been convicted of over 60 crimes which included the rape of his own grandmother.

He was sentenced to life imprisonment for his latest crime of armed

**Tired of pulling weeds, call it art and get a Canada Council grant.**



robbery. This sentence, however, was later reduced because of a policy instituted by the Liberal government in 1996 which orders judges to consider an individual's 'native ancestry' when handing out a sentence. This policy led the B.C. Court of Appeals to reduce Armbruster's life sentence to 20 years which allowed him out on parole in 9 years.

*Vancouver Sun / Globe & Mail*

## Planes, Trains, and Automobiles

Travel expenses for the BC provincial government's Aboriginal Affairs Department have gone over-budget for at least three years in a row according to information obtained by the BC division of the Canadian Taxpayers Federation. Acting on a tip, the Federation filed an access to information request with Aboriginal Affairs for the last three budget years and discovered travel costs were significantly over budget.

This occurred despite a 1998 Ministry memorandum to employees that warned the “travel budget is limited and must be used in an effective, efficient, and economic manner.”

The Aboriginal Affairs ministry has seen its total budget increase to an expected \$68.1 million this year, up from \$35 million last year and \$5.1 million in 1990.

CTF Director Mark Milke noted that given the increase in the overall budget this year, taxpayers could expect to shell out even more money for travel as the government rushes deals through before an election.

The CTF has written to the Aboriginal Affairs minister to request that an audit of travel expenses be conducted.

*CTF files*

## Going for the gold

Getting to the top of the pack is not an easy battle. But finally, Bombardier may be able to step to the podium and receive the gold medal as Canada's largest corporate welfare recipient.

In 1998, the CTF released its list of the top corporate welfare bums in Canada. One of the biggest was Bombardier and its subsidiaries de havilland and Canadair which combined received over \$770 million in business subsidies between 1982 and October 1997.

Shockingly, they were edged out of the coveted first place position by Pratt & Whitney Canada who received \$949 million over the same period (yes, that's nearly a billion dollars).

But all this has changed with the announcement, that Ottawa is prepared to hand out nearly \$1.5 billion in a low interest loan so that the U.S. based Air Wisconsin Airlines can buy up to 150 Bombardier jets.

This low-interest loan will amount to a direct subsidy to Bombardier of \$300 million.

The announcement not only angered Canadian taxpayers but the Brazilian government as well. Apparently, Canada's subsidy to Bombardier was enough

# Waste Watch

to push out the competition -- a heavily subsidized airline

manufacturer from Brazil called Embraer. Ottawa, "the pot", has long condemned the Brazilians, "el frying pan", for subsidizing its aerospace industry. But it all smells the same to taxpayers.

*CTF Files / Globe & Mail*

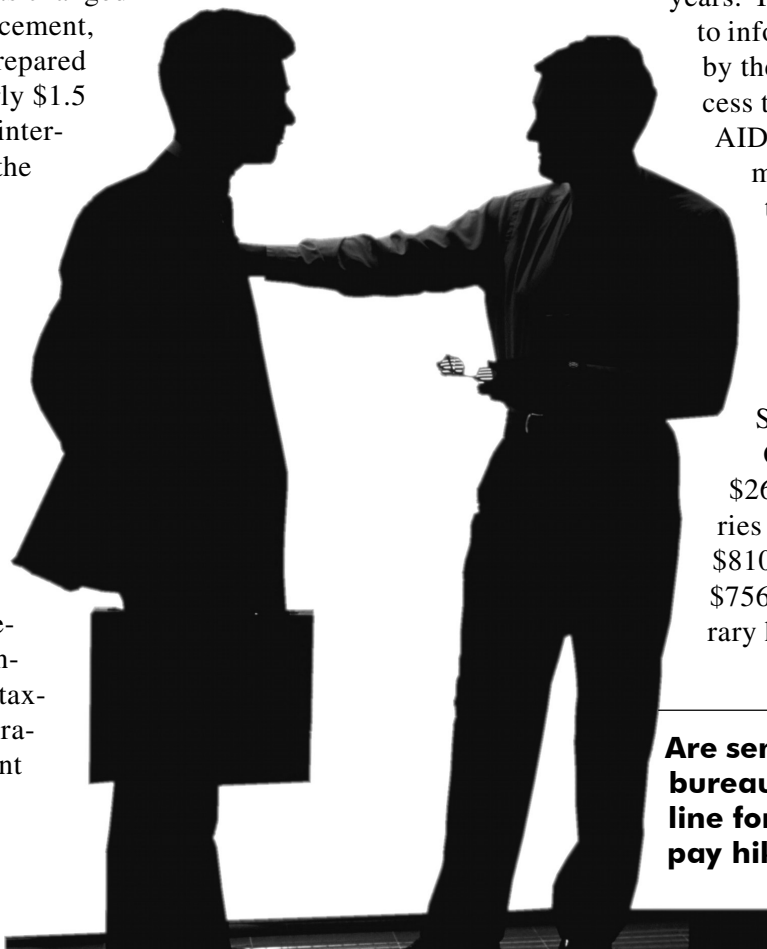
## AIDA - at least someone's doing well

Total administration costs for the Agriculture Income Disaster Assistance (AIDA) program may be more than three times higher than originally budgeted. The cost for administering the program, which provides assistance to farmers when farm incomes drop, was originally projected to be \$30 million over two

years. Instead, according to information obtained by the CTF through access to information,

AIDA has cost \$48 million to administer in just the five provinces of Saskatchewan, Manitoba, New Brunswick, Newfoundland, and Nova Scotia.

Costs include \$26,369,159 for salaries and benefits, \$810,934 for travel, \$756,703 for temporary help and students,



**Are senior federal bureaucrats in line for massive pay hikes?**



# Waste Watch

\$2,711,651 for consultants, \$1,222,793 for the repair and maintenance of buildings, \$599,180 for repair and maintenance of equipment, and \$656,626 for rentals. There is also a \$6,293,643 bill for materials and supplies.

In the other five provinces (Ontario, Quebec, Alberta, PEI, and BC) the provincial governments operate their own AIDA administration under separate cost sharing arrangements with the federal government.

At the outset, 3% of the AIDA budget was allocated to cover administration costs. But these costs in the five provinces where the feds run the program are now 14% of the total value of AIDA payments. If costs are similar in the other five provinces, the Canada-wide administration cost for AIDA could easily top \$100 million.

"It looks like bureaucrats, not farmers, were the biggest beneficiaries of AIDA," says Richard Truscott, CTF Saskatchewan director.

"AIDA was not just a failure, it was an expensive failure," he added.

AIDA was replaced last year by the Canadian Farm Income Program.

*CTF Files*

## All Shiny and new

The House of Commons will cough up over \$5 million to pay for new office furniture for the offices of 84 MPs. That works out to

nearly \$60,000 per MP. In addition, the feds will pay another

\$12,000 for each office for computers and related equipment.

This is particularly maddening when you realize that the feds will probably give away the old furniture at five cents on the dollar via a government auction. There was nothing wrong with the old furniture.

The problem started when the feds decided to move the offices of 84 MPs from the Wel-

lington building to the newly renovated Old Justice Building across the street. The new offices were renovated at a cost of over \$300,000 each, totalling \$27 million.

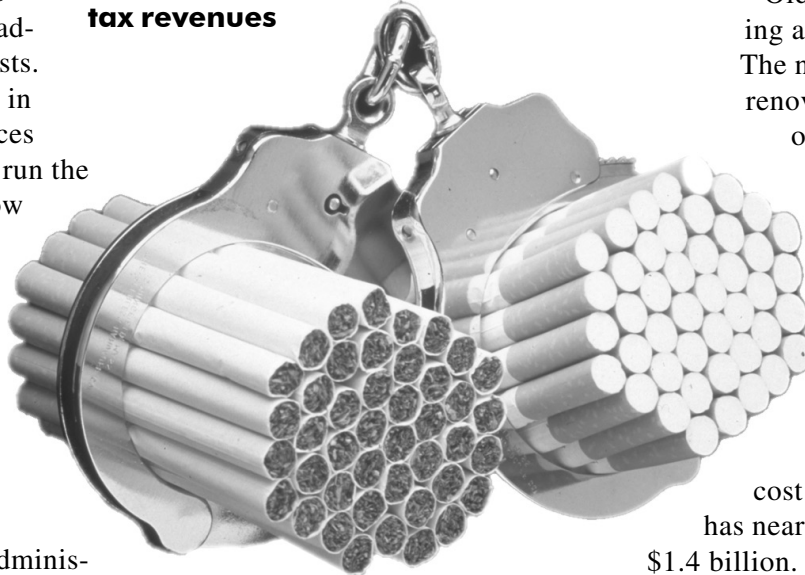
This was all part of the renovations on Parliament Hill which was supposed to cost \$400 million but has nearly quadrupled to \$1.4 billion. That's a cost

over-run of over 300%! Public Works Minister Alfonso Gagliano claimed there were no major problems with the renovation. Mind you, he serves in the same cabinet as Jane Stewart.

But we digress. Back to the \$5 million furniture bill. Why the new furniture you ask? Well try this excuse out for size. It comes from Alliance MP John Reynolds who was on the all-party board that approved the purchase. The media hoped the Alliance would come out railing against this waste of tax dollars. Instead, Reynolds said that since it was a new building, the MPs needed new furniture. There you go.

*Ottawa Sun*

## High taxes cost feds \$192 million in lost tax revenues



# Could native lawsuits for residential schools hit \$10 Billion?

by Richard Truscott

**L**awyers for natives suing Ottawa over their treatment in the residential school system said recently that settling the lawsuits could cost taxpayers up to \$10 billion. When Russell Raikes of the Canadian Residential School Plaintiffs Association was asked if such a huge payout could incite a taxpayer backlash he told the *National Post*, "That's too bad. The fact is the government did something wrong and if there's a price to be paid then we as a society are going to have to pay it."

Mr. Raikes has a point. People who were physically or sexually abused at the residential schools have right to seek redress through the courts, as does any Canadian in similar circumstances. The government set up the schools and was in many ways responsible for the welfare of the people who went there, and the churches and Indian bands that ran many of the schools

beyond the boundaries of what the legal system can legitimately address, have never been won in a Canadian court, and are based more in politics than in law.

The loss of Indian language and culture started long before the residential schools opened to teach English and other skills. Since then, popular culture has arguably done more damage than the schools ever did. To hold the government broadly liable for historic policies, or for the sweep of history itself, is a pretty dubious proposition in the legal sense. Imagine the government being sued by the Cajun descendants of expelled Acadians, or even oilpatch workers displaced

**Merchant may make \$100M**  
Lawyer in line for huge fee in Indian residential school case

By JAMES PARKER  
Saskatchewan News Network

SASKATOON — A Saskatchewan law firm could gross \$100 million handling lawsuits filed by survivors of Indian residential schools.

Tony Merchant, senior partner with the Merchant Law Group, confirmed the number in an interview this week.

The outspoken Regina lawyer, who is recently reprimanded for leading advertising,

■ Related story/A5  
business from former residential school students, doesn't apologize for In fact, Merchant

consumer activist Ralph Nader. "I think this is one of the few areas where law for se

compensation except

from their homes by the National Energy Program. Or perhaps Canada should sue the United States for

also have some responsibility. A number of cases have already been settled and the federal government has reportedly set aside about \$2 billion to pay for current and expected claims.

But where does the \$10 billion figure come from? Tailgating on the cases of abuse, are a cadre of lawyers with thousands more litigants claiming damages for loss of language and culture. These claims push

**“A number of abuse cases have already been settled and the federal government has reportedly set aside about \$2 billion to pay for current and expected claims. But where does the \$10 billion figure come from? Tailgating on the cases of abuse, are a cadre of lawyers with thousands more litigants claiming damages for loss of language and culture. These claims push beyond the boundaries of what the legal system can legitimately address.”**

## THE TAXPAYER

kicking out the United Empire Loyalists.

The government is betting that cultural claims won't survive in the courts, but lawyers are signing up thousands of people in class-action lawsuits anyway. If these claims are successful, or if the government is compelled to a political settlement, it seems likely that a lot of money will wind up in the pockets of law firms. It has been reported that some lawyers charge 20% of the final settlement if it is settled out-of-court and 40% if it goes to court. Indeed the Law Society of Canada and many aboriginal leaders expressed concern about lawyers drumming up business by preying on residential school "survivors."

None of this is to diminish the negative impact of what happened in some schools, including the loss of heritage. But the way to deal with the negative impact of historic fact and policy is not by hashing it out in the courts. And while the government has sensibly denied liability for cultural claims. It has already apologized for the residential school system, provided \$350 million for a "healing fund", and more programs and cash are probably on the way.

Yet, more money

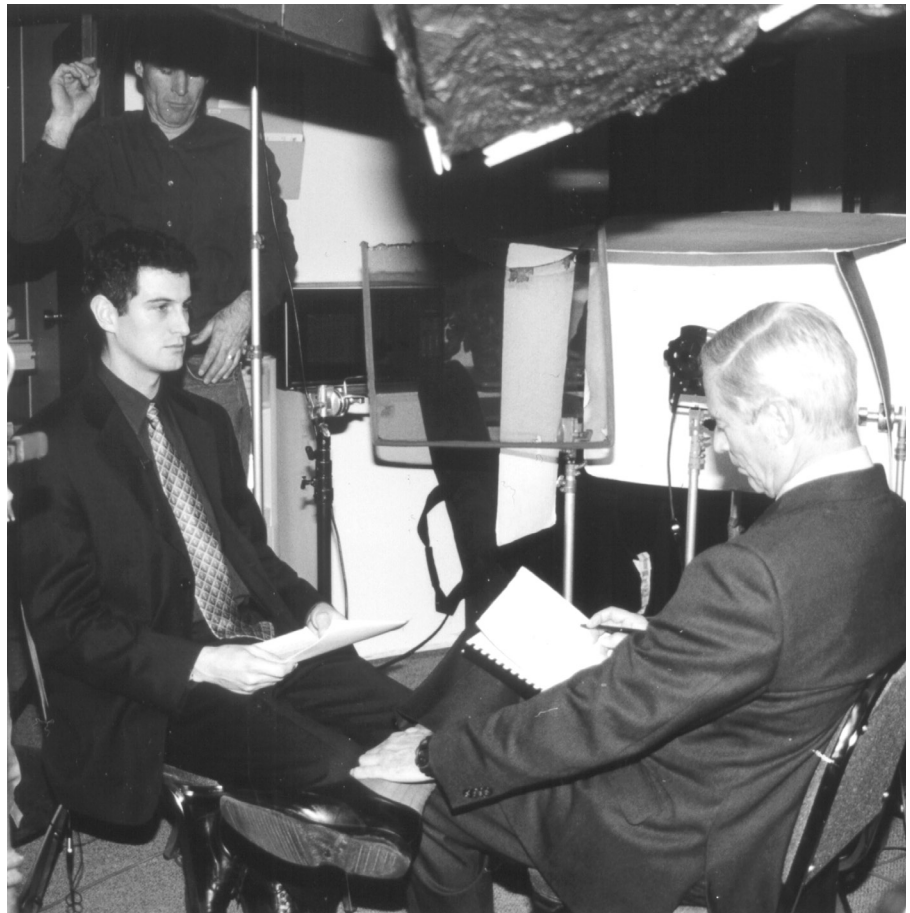
won't solve the problems of Canada's native people, whether it goes into the pockets of claimants, lawyers or bureaucrats. Canada's aboriginal policy may be flawed, it may be paternalistic, it may be disputed, but one thing it is not, is inexpensive. Right now the federal government is spending \$7 billion per year to support native bands (\$20,000 per Indian on reserve) and the provinces are

spending billions more on social assistance and other programs. Band leaders handle millions of dollars every year, yet the vast majority of natives remain in abject poverty and terrible living conditions in spite of (or, as some argue, because of) these lavish subsidies.

No, natives don't need more money to be successful, nor lawsuits, nor more apologies from the government, nor

even more land claims. But what they do need are a couple of things many Canadians take for granted, and are absolutely essential for success in the modern world: responsible, accountable government and economic freedom.

To ensure genuine prosperity and healthy growing communities, the primary focus must be on progress, not redress.■



### **CTF Interviewed by CBS' Sixty Minutes**

CTF Saskatchewan Director, Richard Truscott (left), set to be interviewed by Bob Simon from CBS 60 Minutes show concerning the residential school payout.



# Want a Better MP?

## Give 'Em This List

**A**fter the election last fall where Canadians tuned out and told their politicians that mud-slinging and personal innuendo were not welcome, it seems our MPs, for the most part, have ignored the message.

In late January, MPs eagerly jumped back into the parliamentary sandbox of theatrics and partisanship, furthering the state of disrepute in which the public holds them.

To be fair, these issues do concern some of our MPs. Back in early January, Canadian Alliance House Leader Chuck Strahl circulated a document entitled *Build-*



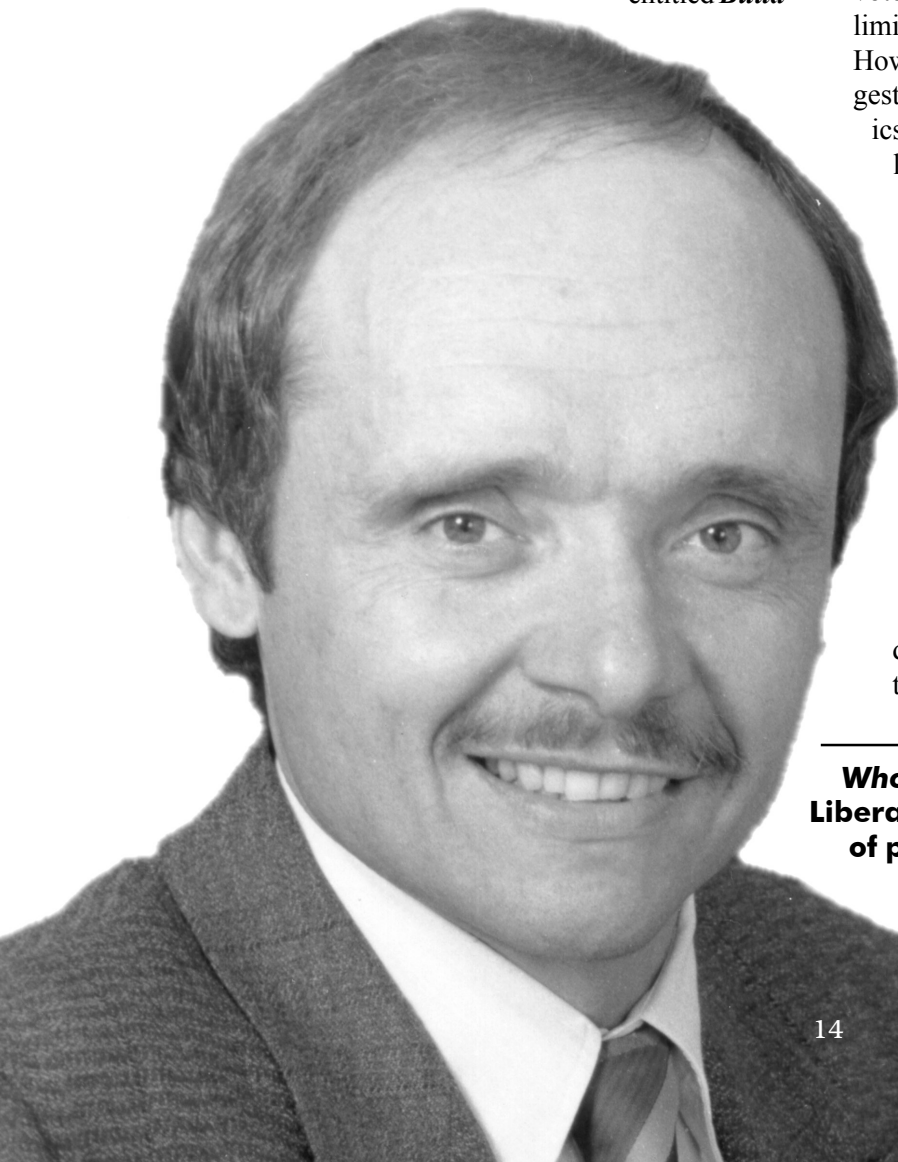
Walter Robinson  
CTF Federal Director

*ing Trust* to all MPs. It contained twelve modest proposals to make Parliament work better.

Among them, were the usual calls for more free votes, elected committee chairs and mechanisms to limit the government's ability to restrict debate. However, the Alliance went further by rightly suggesting that the Ethics Counsellor become a true Ethics Commissioner and report independently to Parliament instead of his current status as lapdog to the Prime Minister. In fact, in Red Book I -- the Liberals 1993 campaign platform -- an independent Ethics Commissioner was promised. But then again, since when do Liberals keep their campaign promises?

In addition, the Alliance proposals to give committees greater power (also proposed by the Tories and the NDP) to review expenditure estimates and a separate committee to consider the reports of the Privacy Commissioner, Access to Information Commissioner and the Ethics Counsellor are definitely needed.

While government House Leader Don Boudria dismissed these proposals as "half-baked," it is interesting to note that when he was a member of



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**Who's half baked? Back in the eighties, Liberal MP Don Boudria promoted the idea of parliamentary reform, including an ethics commissioner. Enjoying the fruits of power, he now calls these same ideas "half-baked."**

## THE TAXPAYER

the famed Liberal rat-pack in the 1980s, these same half-baked ideas were championed by himself and, at the time, many of his opposition colleagues. But this gets back to credibility and saying one thing in opposition while doing another thing in government seems to be a genetic trait with politicians of all stripes.

**“Almost 50% of Canadians are dissatisfied with our current first-past-the-post electoral system (only 23% find the system acceptable) and 63% of Canadians feel ‘that they do not have any say over what government does.’”**

The insidious power of the Prime Minister's Office (PMO) must also be addressed. MPs would be wise to use their increased budgets to make a small purchase of Donald Savoie's *Governing From the Centre*. It chronicles this concentration of power and offers advice on how it can be better shared in Ottawa.

As for actually getting things done, our elected friends should study a recent report from the Conference Board (www.conferenceboard.ca) entitled *Governments Get Focused on Results: Integrating Performance Measurement Into Management Decision Making*. This study astutely notes that government should be benchmarked on its accomplishments as opposed to simply how much it spends. (Note: The Prime Minister should be made to memorize this one as a stu-

dent memorizes Shakespeare.)

Finally, MPs should reacquaint themselves with last summer's excellent survey done by the Montreal based Institute for Research on Public Policy entitled *Strengthening Canadian Democracy: The Views of Canadians*. It can be found at [www.irpp.org](http://www.irpp.org).

The IRPP found that almost 50% of Canadians are dissatisfied with our current first-past-the-post electoral system (only 23% find the system acceptable) and 63% of Canadians feel “that they do not have any say over what government does.” Another noteworthy aspect of this report points to

the fact that 60% of Canadians believe that interest groups are the most effective vehicle to shape public policy while only 20% choose political parties as their vehicle of choice in this regard.

Broadcaster/activist Judy Rebick (not someone we usually agree with) also draws this conclusion in her book, *Imagine Democracy*, which, despite many of its left leaning ideas, argues forcefully for voting reform and citizen initiated referenda. It deserves to be read by MPs.

Next time your MP is in the riding draw them a map with directions to the local bookstore. ■

### CTF Appoints New Alberta Director

The Canadian Taxpayers Federation is pleased to announce the appointment of John Carpay as its new director and spokesman in the province of Alberta.

Dutch born, John grew up in the interior of British Columbia. He has a BA from Laval University in Quebec and a law degree from the University of Calgary. Fluent in four languages, he has won national awards for debating and oral advocacy. Prior to his appointment, John was practising law in Calgary.

John has served as special assistant to a federal cabinet minister, Executive Assistant to an M.P., and has worked in sales and fundraising. John currently writes a national legal column on recent court decisions for the *Report Newsmagazine*.

John officially assumed the role of provincial director on February 20, 2001. He fills the vacancy left by Mitch Gray.



# Moving beyond the medicare orthodox

Why do Canada's two main political parties have virtually identical positions on medicare, while the public is now looking for new options?

by David Gratzer

Many have suggested that health care was the key issue of last fall's recent federal election campaign. But, if it was, exactly what sort of debate was there? The Liberals believe in more funding for medicare. So does the Canadian Alliance (and, for that matter, so too do the other three parties). The Liberals like home care, health information and believe that high-tech equipment is lacking in the present system. So does the Canadian Alliance. When we get to the contentious issues, let me know.

In conversation with a staffer in Allan Rock's office, I raised that point. Of course, she was appalled — simply, she suggested, look at the Liberal and Canadian Alliance positions on Alberta's Bill 11. But then, how do they differ? I mean, really differ. In an age of word parsing ("depends on what the definition of the word 'is' is"), we can find some differences.

The Canadian Alliance views provincial experimentation like Bill 11 to be useful and compatible with the Canada Health Act (CHA). The Liberals view Bill 11 as a mistake, violating the spirit of the CHA.

But what will the Liberal

government do about it?

Absolutely nothing.

The only surprise during the campaign came when the Prime Minister announced that private MRI facilities undermine the public nature of Canadian health care. If re-elected, Jean Chrétien promised to abolish them.

The announcement directly contradicted the public statement

made by the minister of health the day before.

Indeed, it ran against a half-decade of Health Canada policy that did nothing to discourage the establishment of such facilities.

But as the media dwelled on the Liberal policy reversal, Stockwell Day slipped under the radar screen, himself proposing a

Chrétien-style abolishment of the facilities during an Ontario campaign stop-two weeks earlier. According to Day, the CHA should be expanded to cover all MRIs.

Welcome to the topsy-turvy world of health-care politics.

There is, of course, a curious development in all this. It's not clear that Canadians are on-side. Early in 2000, Angus Reid (now Ipsos-Reid) surveyed Canadians on the state of medicare: 78% of Canadians suggest the system is "in crisis."

More surprising still, however, is polling data on the "unthinkable" changes to medi-



**In a Maclean's-Global Television poll of 1,400 Canadians, roughly half (47%) support a two-tiered system. Support for user fees was even higher: 54% of respondents favour the idea.**



## THE TAXPAYER

care. In a Maclean's-Global Television poll of 1,400 Canadians, roughly half (47%) support a two-tiered system.

Support for user fees was even higher: 54% of respondents favour the idea. Interestingly, regional difference has little impact on opinion. Atlantic Canadians endorsed co-payment with almost as much zeal as British Columbians (52% and 55%, respectively). Saskatchewan, the home of medicare, has the highest level of support for user fees, at 69%. Only in Ontario did support fall below a majority, but just barely - 48% accepted moderate user fees.

Approval for private insurance was more tempered, but still strong. In certain provinces, British Columbia and Quebec, a clear majority favoured the notion.

Public health care — like every area of public policy — ought to undergo constant experimentation and innovation. Instead, we have a system that is ossified. One of the benefits of a federal system such as ours (federal funding but provincial administration) is the ability of individual jurisdictions to test new ideas. Canada should be witnessing 10 laboratories of health-care experimentation. We have instead uniform stagnation.

That may seem like a harsh indictment. But consider how modest the present batch of reforms is. The most radical legislation is in Alberta, where Bill 11 proposes to allow regional health boards to contract out surgeries requiring overnight stays. No other province even dares contemplate this so-called bold move. But consider how such a move compares to the German

initiative to privatize 90% of public hospitals or the British effort to forge public-private management in new hospitals?

User fees? No province would dare. Yet in Sweden a trip to the doctor's office with a sore throat or upset stomach will cost you \$20.

Private insurance? Every Western country allows its citizens to opt out — except Canada. In some nations, tax breaks are offered for medical insurance purchase. More private insurance, the thinking goes, less demand on the public purse.

Nationalism makes for good rhetoric but mediocre public policy. Despite the urgings of our politicians, Canadians are reaching this conclusion. And that has all the makings of a new movement. ■

Originally published in the January 16, 2001 edition of *The Medical Post*.



David Gratzer's book *Code Blue* can be purchased through the CTF at 1-800-667-7933 for \$19.95 plus taxes and shipping.



### Time for new ideas

“One of the benefits of a federal system such as ours (federal funding but provincial administration) is the ability of individual jurisdictions to test new ideas. Canada should be witnessing 10 laboratories of health-care experimentation. We have instead uniform stagnation.”



## The Throne Speech Unplugged

By Walter Robinson

When Parliament met for the first time this year the first order of business was electing a new Speaker. After several ballots, Kingston area Liberal MP Peter Milliken was chosen. MPs, especially Liberal backbenchers, should savour the memory of that election; it will probably be the last free vote they cast for the next four years.

The day after, Governor General Adrienne Clarkson delivered the Speech from the Throne. Liberal partisans were quick to point out that the Speech theme was one of 'inclusion.' In one sense they

were right: almost every big-government policy idea was included. Although we couldn't find any mention of the kitchen sink, we're double-checking the French translation just in case.

**“ MPs, from all political parties are crying for more freedom in the House. ”**

In another way though – from the current economic slowdown to a real voice for patients in health care – the Throne Speech was about exclusion. When it was all said and done, the only thing new in Ottawa on Throne Speech

day was about eight centimetres of fresh snow on the ground.

Examples of the government's exclusionary path are listed below.

### Public Finances

Without specific costing, Parliamentarians and Canadians are being short changed in not knowing what some of the new spending announcements, like CBC funding or yet another war on poverty will cost.

Other key items that were excluded were the CTF's call for a legislated debt reduction schedule, a vision for a more effective tax mix, further tax reform, and reforming our pyramid-like public pen-

sion scheme.

### Economic Growth

While the government rightly committed itself to freer trade throughout the Americas, the government abandoned its equally pressing responsibility to facilitate free trade amongst Canadian provinces.

More disturbing still was the lip service paid to the infrastructure needs of Canada's urban regions. You would think with Ottawa hoarding almost \$5 billion annually in gas tax revenues, they could have used the Throne Speech to apologize and give it back through some detailed announcements.

## Health Care

The announcement to form a *Citizens Council on Health Care Quality* to provide patients with a voice in the ongoing health care debate was welcome news, however, in the next breath, Ottawa signalled its intention to stick with the five principles of the *Canada Health Act* and to penalize provinces that dare to improve service delivery beyond the Act.

The *Canada Health Act* needs to be modern-

**“MPs, especially Liberal backbenchers, should savour the memory of the election of the new speaker; it will probably be the last free vote they cast for the next four years.”**

ized to include the principles of choice, quality, accountability and inter-generational sustainability. This long-overdue agenda was discounted and excluded which effectively neutered any genuine citizen consultation process.

## Reforming Parliament

The cries of MPs, from all parties, for more freedom in the House were also excluded.

While the government promised quicker voting procedures and more money for research li-

brarians, it was nothing more than a polite kiss-off to the legitimate demands of parliamentar-

ians. As for replacing our outdated first-past-the-post voting system with a more proportional

## The Throne Speech in Brief

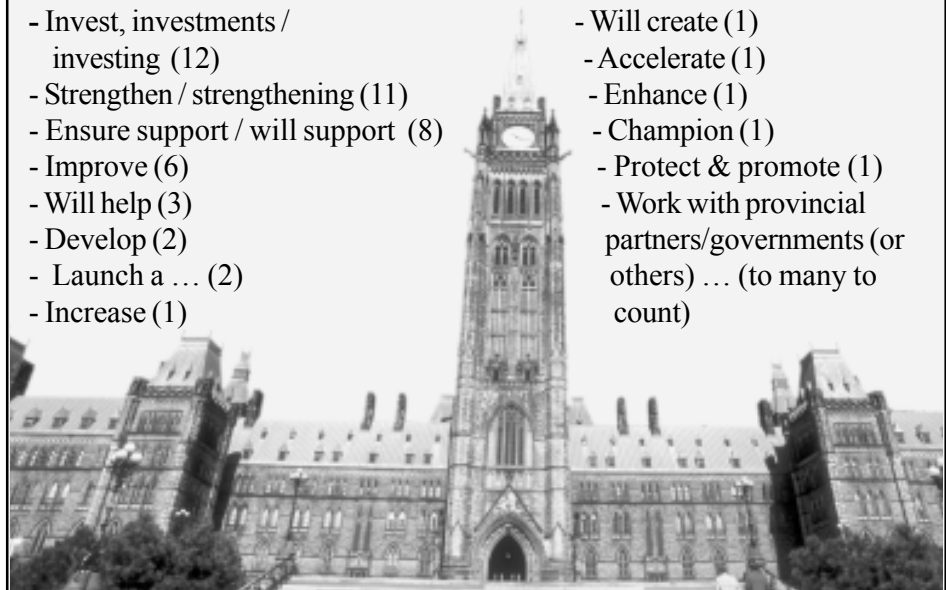
**Some fourteen new or continuing government initiatives were sighted which will entail significant, multi-year government expenditures.**

**These include:**

- Attracting talent to the federal public service
- Doubling federal research and development contributions by 2010
- Ensuring national broadband network access by 2004
- Maintaining the commitment to e-government by 2004
- Increases in the National Child Benefit (NCB) over the next four years
- Increased funding for the Canadian Institutes of Health Research (CIHR)
- Funding for municipal waste and waste water infrastructure projects
- Creation of new National Parks
- Stimulation of the creation of affordable rental housing
- Enhanced law enforcement tools for police forces
- Increased support for the Canadian Broadcasting Corporation (CBC)
- Assistance to book publishers and the sound recording industry
- Increases in Canada's official development assistance (ODA) to other countries and multilateral institutions
- Facilitating 100,000 student exchanges per year

**As well, over 50 action-oriented (spending implied) phrases peppered the Throne Speech**

- Invest, investments / investing (12)
- Strengthen / strengthening (11)
- Ensure support / will support (8)
- Improve (6)
- Will help (3)
- Develop (2)
- Launch a ... (2)
- Increase (1)
- Will create (1)
- Accelerate (1)
- Enhance (1)
- Champion (1)
- Protect & promote (1)
- Work with provincial partners/governments (or others) ... (to many to count)



## THE TAXPAYER

or majoritarian form of voting, well this was not and is not on the Prime Minister's radar screen.

### Aboriginal Policy

The government promised to work with native bands to improve governance and financial

accountability, but taxpayers have heard this song and dance from Ottawa for over thirty years. Meanwhile, the plight of aboriginal peoples has worsened. Thirty years ago the Prime Minister authored a White Paper on reforming aboriginal policy. The problems identified remain today.

### Conclusion

Given all the critical issues excluded from the Throne Speech, it is clear that the government continues adrift and has no vision for Canada. For the most part, it was an exercise in political process and tradition, not an act of responsible or visionary government. ■



### We couldn't resist

The following newspaper clipping from the *Korean Herald* was recently e-mailed to the CTF. Although the clipping dates back to 1995, the caption remains well...timely.



## The CTF says thanks...

*by Andy Crooks -- CTF Chairman*

There are many voices and parts to the CTF. Spokespeople may be the most obvious, but there are receptionists, secretaries, accountants, sales representatives, researchers and managers.

At the head of the CTF is a volunteer board of directors. We set the mission, measure the results, monitor management and make sure we have the right management team in place. We have a newspaper publisher from Manitoba, Ken Waddell, a prominent journalist with the *Toronto Sun*, Linda Leatherdale, an entrepreneurial insurance manager from Edson Alberta, Tim Hunt, a senior agribusiness manager from Outlook Saskatchewan, Darren Swanson, an

international strategic consultant, Peter Green and a lawyer and private investor from Calgary, myself, Andy Crooks.

I want to publicly thank these behind-the-scenes workers. Without pay and at great cost they serve the CTF. They provide strategic and operational insights that allow the CTF to grow and become more effective.

The CTF has been blessed over the years with exceptionally bright and committed people willing to serve on its board. Over the past year, the terms of a number of our board members have come up. It is in this spirit, that we say goodbye to a few of our best and brightest.



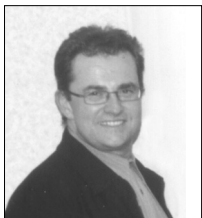
Connie Osterman, a former cabinet minister with the Alberta government, resigned after serving for 7 years on the board. Through thick and thin she stayed the course.



Ron Dedman, a management consultant from Regina was a true friend of the CTF and has helped guide the board to new strategic visions. He will be missed.

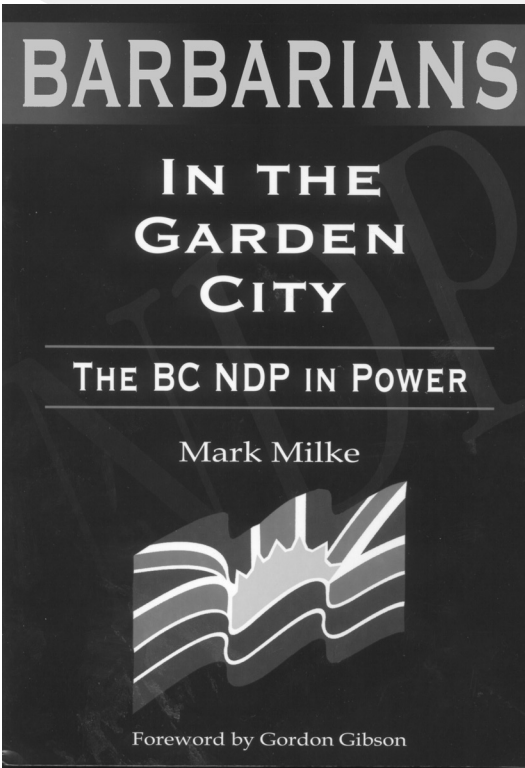


Dave Marley, a lawyer in Vancouver, British Columbia, has left to turn his hand in a more activist role.



Ed De Roches from Vancouver has left the board after serving his agreed upon 4 years of service. A successful business owner, Ed is one of the most insightful managers and leaders that I have ever dealt with. At his urging the CTF adopted major changes in how it does business.

*Buy the book...20%*  
discount for CTF supporters

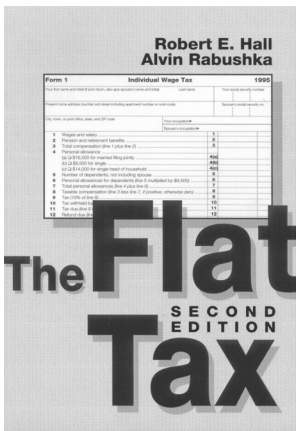


*By Mark Milke*

A #1 best-seller in B.C.

Written by the CTF's BC provincial director Mark Milke, *Barbarians in the Garden City* provides an indepth look at the political and economic impact of NDP policies over the past decade in the province of British Columbia.

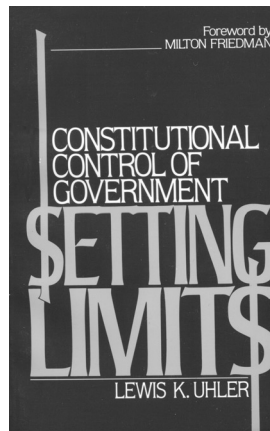
*\$19.95*



*by Robert Hall and Alvin Rabushka*

Americans Hall and Rabushka provide the economic justification and practical application for tax reform.

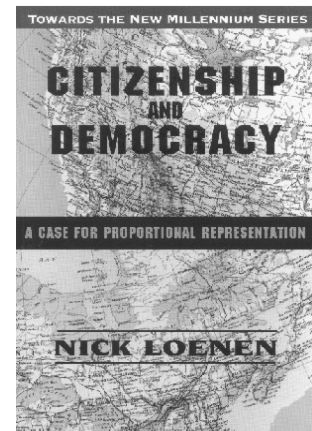
*\$10.00*



*by Lewis K. Uhler*

Written from an U.S. perspective, Uhler shows why there must be laws to limit government spending and taxes.

*\$6.00*



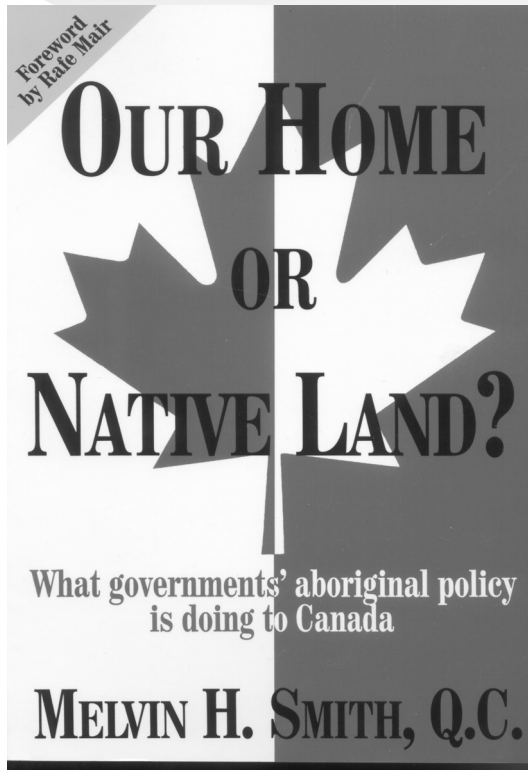
*by Nick Loenen*

Former BC MLA, Nick Loenen writes on the need to reform Canada's voting system.

*\$19.95*

Please use order form on page 25

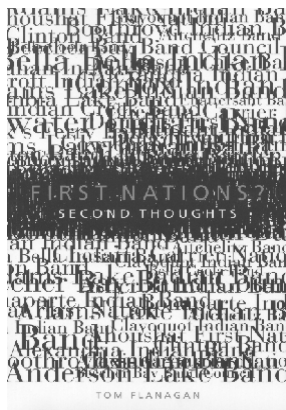
**Buy the book... 20% discount for CTF supporters**



*By Mel Smith Q.C.*

Written by the late Mel Smith, a former CTF Board member, *Our Home or Native Land?* explores the costs and implications of land claims, treaties, Nunavut, and native programs.

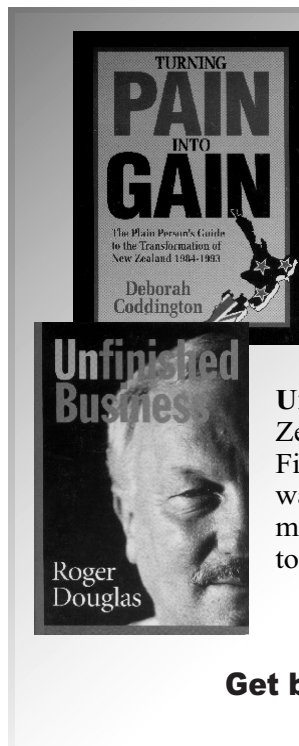
**\$19.95**



*by Tom Flanagan*

Flanagan challenges the politically correct status quo. His prescriptions for change will not only reduce the power enjoyed and abused by native leaders but also put individual natives back in control of their economic futures.

**\$19.95**



*The New Zealand Experience*

Get a historical analysis of the New Zealand transformation:

**Turning Pain into Gain** - Award winning author, Deborah Coddington provides a historical breakdown of New Zealand's turnaround.

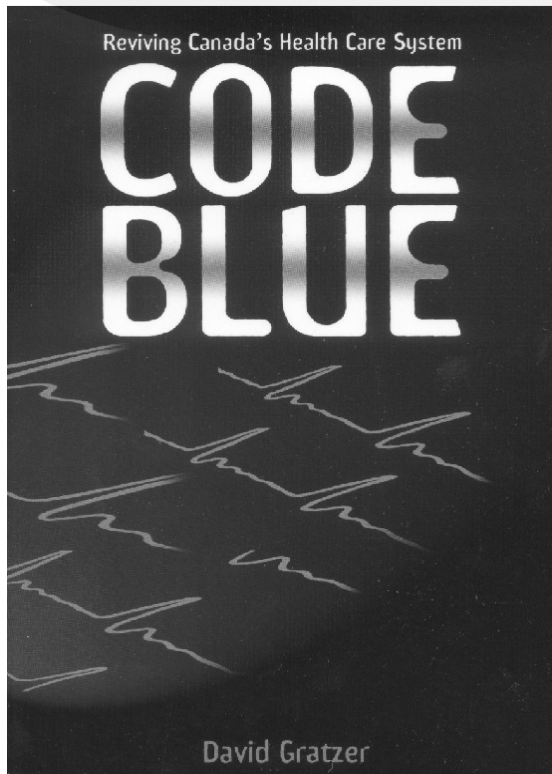
**Unfinished Business** - The author of New Zealand's transformation, former Labour Finance Minister Roger Douglas, outlines ways to radically improve government monopolies and services -- from education to Medicare.

Get both books for just:

**\$15.00**

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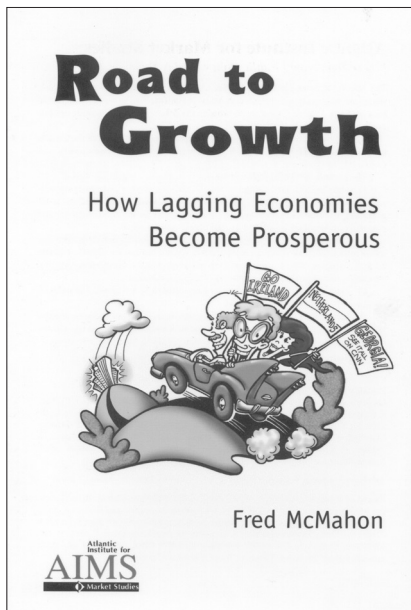
*Buy the book...20%*  
discount for CTF supporters



*By David Gratzer*

*Code Blue* cuts through the mumbo jumbo surrounding Canada's vaunted health care monopoly. While most call for more spending to solve Canada's health care crisis, Gratzer says that the real solution lies in changing the way we run health care.

*\$19.95*

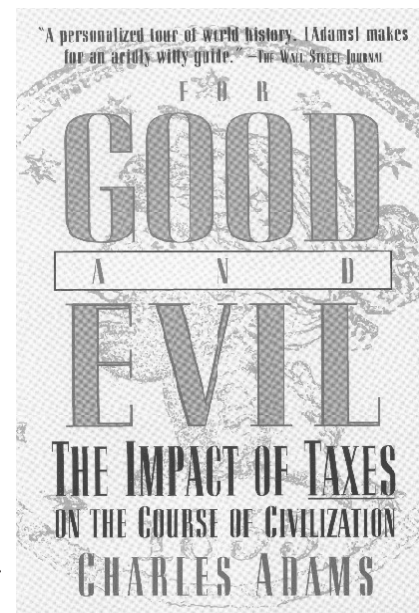


*by Fred McMahon*

Looking at Ireland, McMahon shows that economic prosperity is not built on government subsidies but tax cuts and reduced government spending.

*by Charles Adams*

Canadian Charles Adams examines how taxes have shaped the course of civilization.



*\$15.00*

*\$25.50*

Please use order form on page 25



# Tax Me, I'm Canadian... 20%

discount for CTF supporters



**Tax Me!  
I'm Canadian!  
T-shirt**

**\$18.00**



**Tax Me,  
I'm Canadian Cap**

**\$13.50**

## Please send me:

Number of items:

- ☐ Barbarians in the Garden City @\$19.95.....  
☐ Flat Tax @\$10.00.....  
☐ Setting Limits @\$6.00.....  
☐ Citizenship and Democracy @\$19.95.....  
☐ Our Home or Native Land @\$19.95.....  
☐ First Nations, Second Thoughts @\$19.95.....  
☐ Turning Pain into Gain/Unfinished Business  
     Combined price of \$15.00.....  
☐ Code Blue@\$19.95.....  
☐ Road to Growth @\$15.00.....  
☐ For Good and Evil @\$25.50.....

☐ Men's cap: 100% cotton, Black Embroidered  
     \$13.50 each.....

☐ Black T-Shirt 100% heavy preshrunk cotton  
     \$18.00 / \$20.00 each.....

☐ Large   ☐ X-Large   ☐ XX Large (add \$2.00/XX Large)

Total order.....

Less 20% supporter discount.....

Add 7% GST.....

Add 6 % PST (Saskatchewan residents only).....

Postage & handling first item..... **\$4.00**

Postage for each additional item add 50 cents each.....

Total cost of order.....

Method of Payment: ☐ MasterCard ☐ Visa ☐ Cheque

Name on card: .....

Visa/Master card #: ..... Exp date: .....

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**Please allow 3 - 4 weeks for delivery. Send your order to: The Canadian Taxpayers Federation: #105 - 438 Victoria Ave. E., Regina, Sask. S4N 0N7 Fax: 306-352-7203 or Phone 1-800-667-7933**

# *Around The CTF*

Each month CTF offices in five provinces and Ottawa handle hundreds of media interviews and inquiries, hold press conferences, publish reports, make presentations to government and issue regular news releases, commentaries and publications to advocate the common interest of taxpayers. The following summarizes CTF activities for the months of January and February 2001.

## January

### ALBERTA:

■ The CTF responds favourably to an announcement that the province will be lowering its single rate tax from 10.5% to 10%. This is precisely what the CTF recommended to the government in its pre-budget submission one year ago.

### FEDERAL:

■ In its ongoing campaign against corporate welfare the CTF slams the federal government's decision to provide \$1.5-billion in assistance to Air Wisconsin in order to buy jets from Bombardier.

■ A CTF first! CTF representatives meet with the policy director of the Prime Ministers' office. We're getting their attention!

■ The CTF garnered significant media coverage on two issues of MP compensation. First, several Alliance MPs opted back in to the

gold plated pension plan only months after being re-elected. Second, CTF representatives met with Ed Lumley who will head a three-member commission reviewing MP compensation. The CTF will push for the principles of transparency, simplicity, fairness and accountability.

### SASKATCHEWAN:

■ CTF Director Richard Truscott was interviewed on the subject of taxpayer liability in court cases surrounding native residential schools by Bob Simon of CBS' 60 Minutes.

### BRITISH COLUMBIA:

■ A new property tax to be imposed on vehicles in the Lower Mainland is shelved after months of campaigning by the CTF! The CTF had collected 25,000 names through petitions in opposition to the tax.

## January/February 2001 Activity Report

Office	Media Contacts	Events/Speaking Engagements/ Releases
Ottawa	208	24
Alberta	119	18
Saskatchewan	100	17
Manitoba	92	32
Ontario	83	21
BC	81	15
Total	683	127

- 12 MLAs who have announced they will not seek re-election are eligible for \$11-million in pension benefits according to new statistics released by the CTF.

#### **MANITOBA:**

- CTF director Victor Vrsnik meets with Manitoba Finance Minister Greg Selinger to address the growing tax gap between Manitoba and other provinces. Manitoba now has the third highest income taxes in the country.

## **February**

#### **FEDERAL:**

- A Throne Speech chalk full of every euphemism under the sun for new spending combined with a downturn in the U.S. economy results in the CTF demanding a federal budget be tabled immediately.

#### **BRITISH COLUMBIA:**

- A Freedom of Information request reveals that government advertising regularly spiked before an election and dropped noticeably afterwards. The

CTF releases draft legislation dubbed the *Government Advertising Standards Act* to help curb taxpayer-funded partisan advertising.

#### **MANITOBA:**

- CTF director Victor Vrsnik joined a coalition of groups to oppose a City of Winnipeg initiative to compete with the private sector in the gravel industry. The CTF made a presentation to city's Alternative Service Delivery committee, and delivered several media interviews recommending the city withdraw its ill-conceived plan.

#### **SASKATCHEWAN:**

- CTF director Richard Truscott makes a submission to the province's Medicare Review Commission prescribing new remedies to demographic and technological challenges.
- CTF director Richard Truscott delivers a 12,500 signature petition to the provincial government demanding the education portion of the property taxes be reduced by 40% to 50%.

#### **ONTARIO:**

- In a pre-budget submission before the province's Standing Committee on Finance and Economic Affairs, CTF director Walter Robinson points out that the province's new tax on income system claws back federal tax reductions. The CTF expects the provincial government to retroactively lower its rates in the May budget.



#### **ALBERTA:**

- At a Calgary news conference CTF directors Troy Lanigan and John Carpay launch a campaign in support of personal income tax elimination in Alberta. A petition along with a study showing how Alberta Heritage Fund income could replace income tax by 2015 was released.

# BRITISH COLUMBIA

## It's that time of year...

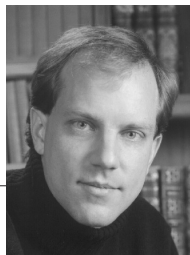
Question: How can you tell it is an election year?

Answer: Governments spend tax dollars on unnecessary advertising.

Remember those health care ads from the federal government before this past fall's recent federal election? Ottawa spent our tax dollars to tell us they were going spend more of our tax dollars.

There are also sneakier ways to spend tax dollars, sometimes in an attempt to shore up support for the party in power and sometimes just to subsidize a particular industry. Next time you're at a hockey rink, take a look around and see if there are any government of Canada ads around you, including ones from Crown corporations. Ottawa's Corel Centre is legendary for the amount of government advertising it gets, including simple "Government of Canada" ads.

You'd think a hockey rink in the nation's capital might not need to remind people that the



Mark Milke  
BC Provincial Director

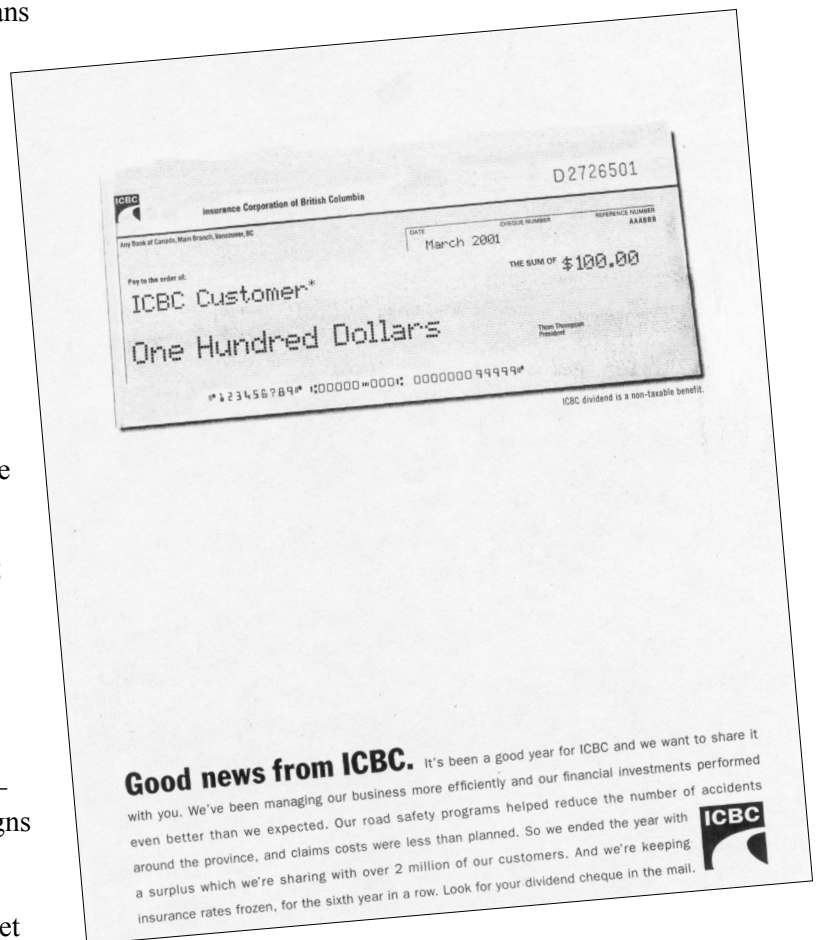
federal government exists, but apparently someone – whoever is in charge of these things in the federal bureaucracy – thought it necessary to tell Senators' fans about the central government's existence.

Besides the federal government, almost every other government is also guilty of unnecessary advertising. The Mike Harris Tories in Ontario spend \$85 million every year on ads – part of that undoubtedly necessary, but some of it not – i.e., ad campaigns that tell people about tax cuts. (Why not just let

people discover the pleasant surprise on their cheques?)

Here in British Columbia, Crown

corporations, municipal governments, and even local transit authorities get in on the spin-your-tax-dollars-into-advertising game. TransLink, the lower mainland's transit bureaucracy, spent tax dollars telling citizens to lobby the federal government for tax dollars. Cute, but since other groups were already





# BRITISH COLUMBIA

doing precisely that, it was a bit much coming from a tax-funded agency.

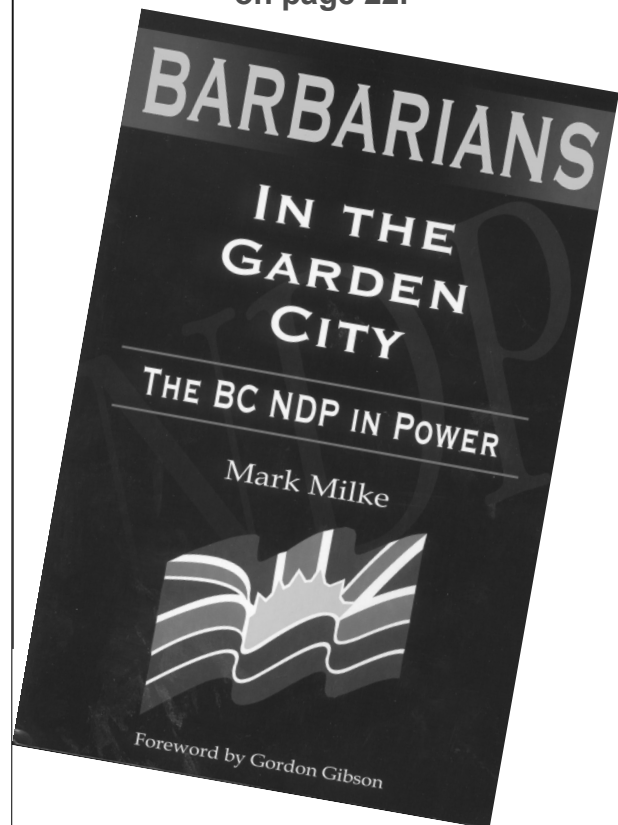
And then there is the mother of all questionable ad campaigns; the ones launched over the past couple of months by the provincial government. In greater Victoria, the government launched the "Green Communities Package" campaign. Just coincidentally, all the faces of the capital city government MLAs happened to be in the newspaper ads. There was also the "Investing in Healthcare" campaign that ran so many ads over Christmas that it seemed no matter what TV station one turned on, there was the ad. So, instead of putting an extra couple of hundred thousand bucks into new equipment, British Columbians received election ads dressed up as public infomercials; think about that the next time you're sitting in a doctor's waiting room with a migraine.

Of course, inoculation is the best form of defense for an immune system. As a public service then, the highlighted box on this page lists some of the ad campaigns that have already occurred. The list is courtesy of the government's own

leaked pre-election strategy document from last fall.

Some of the campaigns include the BC bonds ads, Premier's Economic statement, "New Budget Making for BC," the increased minimum wage, flu immunization, the tuition freeze, the "protect kids from tobacco" campaign, ads on newly protected parks and the government's reaching of the 12% protected parkland limit. Taxpayers will have to decide for themselves which campaigns they think are worthwhile and which are a waste of money – but clip the list and check them off as they occur: After all – you're paying for them. ■

Check out the new book by Mark Milke, the CTF's BC Director on page 22.



## NDP's Election Campaign!

Paid for by B.C. taxpayers

**List of taxpayer-financed marketing campaigns, from the leaked NDP pre-election strategy document.**

- \$15 million multicultural community grant program
- BC Bonds TV Campaign (September)
- After-school care marketing campaign (September)
- Premier's Economic Statement and marketing campaign (September)
- Budget making for BC marketing campaign (October)
- Flu immunization campaign (October)
- TV campaign about "big tobacco" (November)
- Minimum wage marketing campaign (November)
- BC telecare initiative campaign (December – March)

# BRITISH COLUMBIA

## PETITION TO THE LEGISLATURE:

- As taxpayers in British Columbia, we already insure our homes, our property, and our lives from various insurance providers.
- ICBC's monopoly on auto insurance robs consumers of open competition and choice.
- 86 % of Canadian Taxpayers Federation supporters in BC want ICBC to face competition – they want the choice of who will insure their automobile.
- We the undersigned also want the freedom of choice on auto insurance.

We, the undersigned, petition the legislature to provide for free and open competition in auto insurance - and an end to the ICBC monopoly – we want a choice!

Name (print) \_\_\_\_\_ Signature: \_\_\_\_\_

Address: \_\_\_\_\_ P.C. \_\_\_\_\_

Name (print) \_\_\_\_\_ Signature: \_\_\_\_\_

Address: \_\_\_\_\_ P.C. \_\_\_\_\_

Name (print) \_\_\_\_\_ Signature: \_\_\_\_\_

Address: \_\_\_\_\_ P.C. \_\_\_\_\_

Name (print) \_\_\_\_\_ Signature: \_\_\_\_\_

Address: \_\_\_\_\_ P.C. \_\_\_\_\_

Name (print) \_\_\_\_\_ Signature: \_\_\_\_\_

Address: \_\_\_\_\_ P.C. \_\_\_\_\_

Name (print) \_\_\_\_\_ Signature: \_\_\_\_\_

Address: \_\_\_\_\_ P.C. \_\_\_\_\_


**Return to:**  
**Canadian Taxpayers Federation**  
**604-1207 Douglas Street, Victoria, BC V8W 2E7**  
**Fax: 250-388-3680**

**Go to our website: [www.taxpayer.com](http://www.taxpayer.com) for additional copies of this petition.**

## The Competition

British Columbia is already behind in the tax cuts race on personal taxes. Watch out - the province is also about to fall behind on business taxes. Here are the current business taxes in 2001, followed by the business tax rates projected for 2004. Alone among the three “have” provinces, only BC has no plans to significantly cut business taxes.

Note: Small business threshold to be \$400,000 in Alberta by 2002, \$400,000 in Ontario by 2005 with a general rate phase-in between \$400,000 and \$1 million.



	BC	AB	ON
Small	4.5	5.0	6.5
General	16.5	13.5	14.0
M&P	16.5	13.5	12.0

<small>*2005 in Ontario</small>	BC	AB	ON
Small	4.5	3.0	4.0
General	16.5	8.0	14.0
M&P	16.5	8.0	12.0



### CTF BC director meets with Opposition Finance Critic

CTF-BC director Mark Milke met with Opposition Finance critic Gary Farrell-Collins in early February to discuss the CTF's provincial pre-budget presentation. A request to meet with Finance Minister Paul Ramsey was also made by the Federation, but declined by the Finance Minister. For more on the CTF's pre-budget submission for British Columbia, see the January/ February 2000/2001 edition of *The Taxpayer* magazine, or go to [www.taxpayer.com](http://www.taxpayer.com) and click on Studies/Reports – BC.

# Income Tax *Freedom* in Alberta

by John Carpay and  
Troy Lanigan

Can Alberta be the first province in Canada to eliminate personal income tax? In a word: yes. High oil and gas prices combined with elimination of the province's debt make it possible.

Here's the idea in a nutshell: build up the Alberta Heritage Savings Trust Fund (the "Fund") to a point where its income could replace what is collected from Albertans in the form of provincial personal income tax.

This Fund was created in 1976 to put a portion of oil and gas revenues aside for a rainy day. At a current value of \$12.3 billion, the Fund produces income of about \$1 billion per year, which goes into general revenues for the government to spend as it sees fit. The CTF believes the Fund has much greater potential than as political slush fund.

In January, the CTF commissioned University of Calgary economics Professor Jean-Francois Wen to conduct a study on the feasibility of using the Fund as a means to eliminate income tax. Dr. Wen's study, posted at [www.taxpayer.com](http://www.taxpayer.com), shows that it can be done!

Central in the report is the need to control government spending in addition to investing half of oil and gas revenues plus interest into the Fund each year. By 2015 it is expected that the Fund would reach \$55-billion and generate enough income to completely eliminate income taxes.

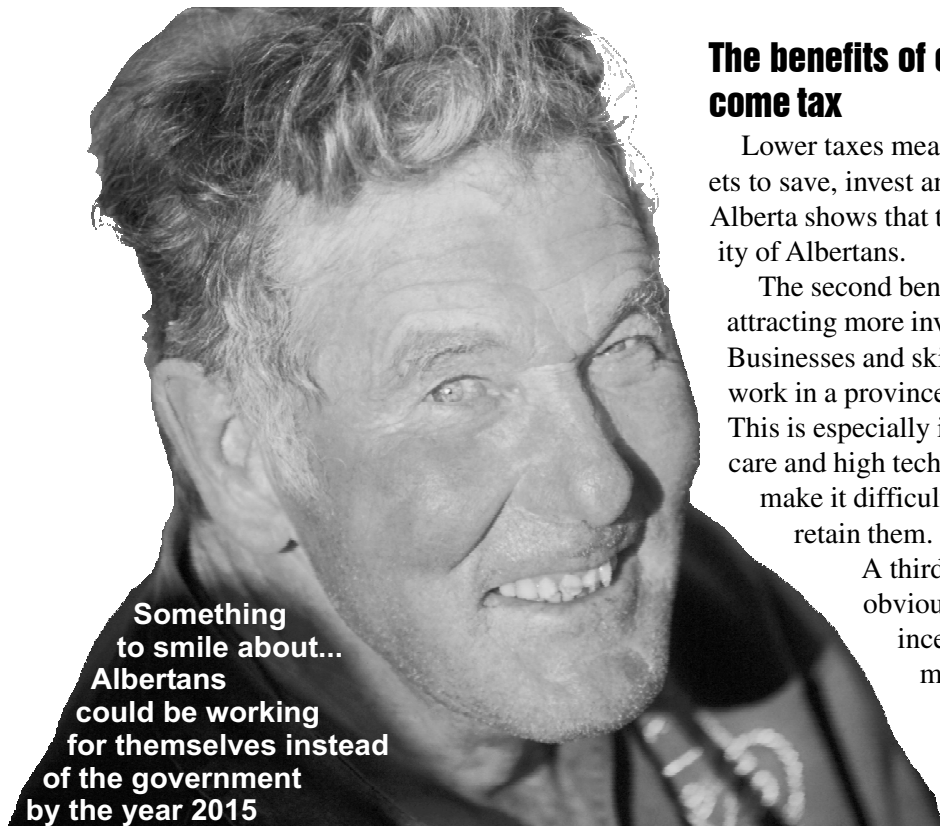
Dr. Wen's study assumes that oil and gas prices will soon drop by 43% from their current high levels, and stay at that lower level for the next 10 years. The study also assumes that Alberta's population will grow by 1.5% per year, and the economy by 2.5% per year, in keeping with long-term trends of recent decades.

## The benefits of eliminating personal income tax

Lower taxes mean more money in people's pockets to save, invest and spend. Survey after survey in Alberta shows that tax cuts remain the number priority of Albertans.

The second benefit of eliminating income tax is attracting more investment and jobs to Alberta. Businesses and skilled workers will be eager to work in a province without personal income tax. This is especially important in fields like health care and high tech where high marginal tax rates make it difficult not only to attract workers but retain them.

A third benefit is one that may not be obvious: it forces other Canadian provinces to lower taxes. NDP governments in Saskatchewan and British Columbia may like big government, but failure to stay competitive on the tax front erodes their tax base. Some



Something  
to smile about...  
Albertans  
could be working  
for themselves instead  
of the government  
by the year 2015



thing no government can afford to have happen.

Fourth, replacing personal income tax with Heritage Fund income will provide Albertans with a steady and predictable source of revenue for health care and education. Unpredictable changes in oil and gas prices make it difficult for the Alberta government to budget accurately. A sudden drop in oil prices forces the government to cut spending or run a deficit. A sudden increase in oil prices tempts politicians to spend, spend and spend (as the Alberta government has been doing its share of lately). A \$55 billion Heritage Fund will provide Albertans with a reliable source of about \$5 billion annual income. Year-to-year changes will be tiny in comparison to changes in oil prices.

Finally, oil and gas are not renewable resources. Once the Heritage Fund reaches \$55 billion, it will continue to produce a steady income for future generations when Alberta's oil and gas are gone.

## But how?

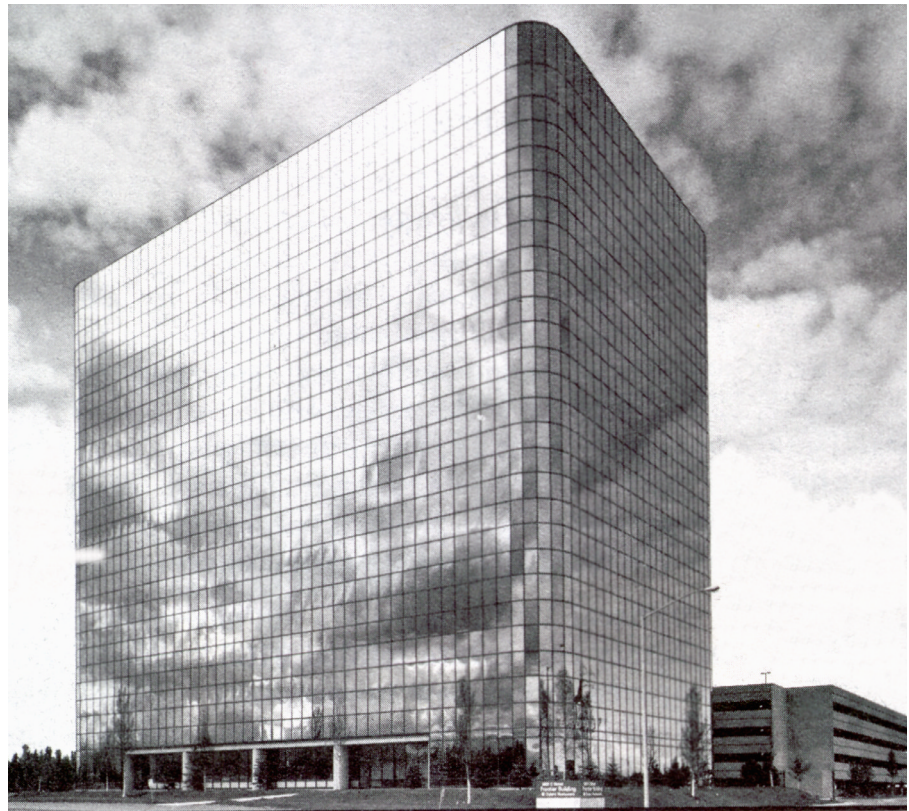
According to Dr. Wen's study, Alberta must first eliminate its debt. This is expected by 2003. Second, 50% of oil and gas revenues should be placed in the Heritage Fund. Third, all income produced by the Fund must be reinvested back into it. When the Fund reaches about \$55 billion, and produces enough to replace income tax revenues, provincial income tax can be eliminated. After that, the government must keep its budget balanced, and continue adding to the Fund's principal each year to protect it from inflation. In summary:

grow the Fund until it produces enough income each year to replace personal income tax.

## Alaska's Permanent Fund – a separate trust

Much can be learned from Alaska's Permanent Fund (PF). Like Alberta's Heritage Fund, the PF was started in 1976 to provide future generations with a source of income for when they would run out of oil. Alaskan law requires that at least 50% of oil royalties go to the PF, which is now worth over \$27 billion (US) – roughly \$40 billion Canadian. Since 1982, the PF has paid an annual dividend to every man, woman and child in Alaska. In 2000, Alaska's 622,000 citizens received a cheque for \$1963.86 (US) each.

The PF is not controlled by the Alaskan govern-



## If Alaska can, why can't Alberta?

The Alaska Permanent Trust Fund is not run by politicians. In a state where they have no personal income tax or sales tax, the Permanent Fund paid each Alaskan \$1,963.86 US in tax free money this past year. That's \$7,855 for a family of four.

ment. Instead, it is managed as a separate trust by the Alaska Permanent Fund Corporation, an agency at arm's length from the government. Politicians have no access to the PF's principal, or to the annual income it produces. Changes to laws governing the PF or taking money from the PF's principal requires the approval of Alaskans in a state-wide referendum.

The value of the PF's assets have never been eroded by inflation, because each year the PF reinvests a portion of its earnings. This "inflation-proofing" is required by Alaskan law, and does not depend on the discretion of the politicians of the day. The PF's investment strategies are also established by law, not by the government of the day.

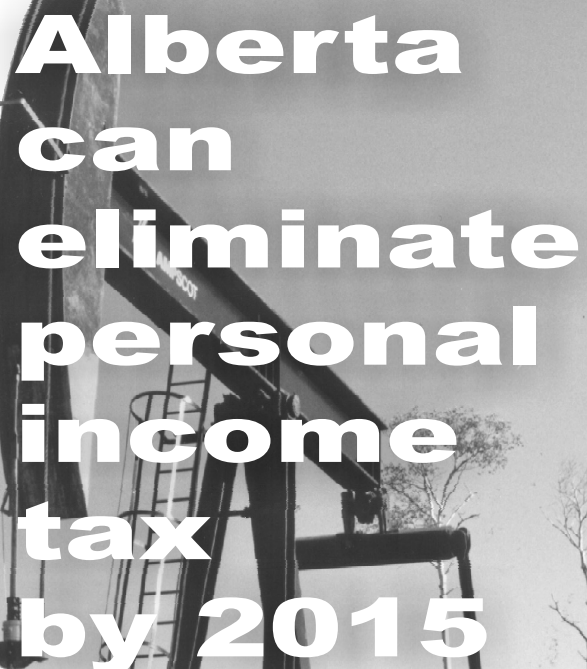
The PF's remarkable growth – to \$27 billion in just 25 years in a state of only 622,000 people – is the result of discipline imposed by law. Politicians cannot put less than 50% of oil royalties into the PF. Politicians have no choice but to protect the PF from inflation. Politicians cannot take from the PF's principal, or change the PF's mandate, without voter approval in a state-wide referendum.

The citizens themselves decide what to do with their dividend: spend it, save it, or invest it. Alaska's economy is diversified through citizens spending their own money as they see fit. The PF has served Alaskans well. Not only do Alaskans receive an annual dividend, but they pay no sales tax and no income tax. Alaskans are protected from the severe and unpredictable changes in oil prices. And when Alaska runs out of oil, the PF will continue paying annual dividends to future generations.

## Alberta's Heritage Fund – controlled by politicians

Like its Alaskan counterpart, Alberta's Heritage Fund (HF) was also started in 1976, as a means to "save for a rainy day." Although Alberta has five times as many people as Alaska, the HF is worth \$12.3 billion (Cdn), in contrast to Alaska's \$27 billion (US), or about \$40 billion Canadian.

The HF pays no dividends to Albertans and its annual income goes into the government's general revenues. The HF is managed by the Provincial



**Alberta  
can  
eliminate  
personal  
income  
tax  
by 2015**

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2014	2015
<b>Fund</b>	12,256	12,309	12,282	12,244	14,337	16,235	18,515	21,123	24,023	27,246	30,818	49,319	55,261
<b>Debt</b>	12,539	7,138	3,633	388	0	0	0	0	0	0	0	0	0
<b>Surplus</b>	5,498	3,625	3,409	2,696	2,141	2,558	2,925	3,261	3,632	4,034	4,471	6,771	0
<b>Royalties</b>	10,294	5,730	5,596	4,262	3,254	3,254	3,254	3,254	3,254	3,254	3,254	3,401	3,485
<b>Personal Income Tax</b>	4,032	4,724	4,917	5,077	5,227	5,369	5,501	5,636	5,775	5,917	6,063	6,683	0

In millions of dollars / adjusted for inflation Source: Dr. Jean-Francois Wen, CFA -- Eliminating Alberta's Personal Income tax - p. 9

Treasurer. Alberta's laws governing the HF can be changed by politicians at any time without obtaining the approval of Albertans in a referendum. Politicians can also spend the HF's principal without voter approval.

Unlike Alaska's "inflation-proofing" law, Alberta law does not impose an absolute requirement to re-invest a portion of the HF's earnings to principal. As a result, the HF in real terms is worth less today than in 1987. Over the years, politicians have spent HF funds on projects and Crown corporations in the name of "economic diversification," following a "government knows best" philosophy. Alberta's resources are owned by the people of Alberta, but the HF is controlled by politicians.

Albertans do benefit from the fact that the HF's assets are greater than Alberta's total debt. But Albertans still pay personal income tax. There is no protection against sudden and extreme changes in oil prices. The HF's assets are not large enough to provide Albertans with a strong source of income for when their province runs out of oil.

Alberta has a balanced budget and is on its way to debt freedom because of laws which impose dis-

cipline on politicians. First, a balanced budget law took discretion away from politicians to increase debt. Another law forced politicians to put 75% of any surplus towards debt repayment. In the same way, Albertans will benefit if the laws governing the HF also impose discipline on politicians.

## What to do?

Sign the petition below, and make photocopies of it to distribute to others. Or, direct people to the CTF's web site at [www.taxpayer.com](http://www.taxpayer.com) where the petition is also posted.

Call your M.L.A. and ask her or him to support eliminating personal income tax by building up the Heritage Fund as quickly as possible. Insist that she or he resist the pressure from special interest groups to spend more of the taxpayers' money.

Alberta has a real opportunity to be the first province in the country to completely eliminate income tax. It won't be accomplished overnight. But with advance planning it can be achieved. The time to act however is now: while oil and gas prices are high and the provincial debt is almost eliminated. ■

### To The Government of Alberta:

We, the undersigned, urge you to eliminate provincial personal income tax through build-up of the Alberta Heritage Savings Trust Fund ("the Fund") as follows:

- 1) Make eliminating personal income tax the official mandate of the Fund;
- 2) Establish the Fund as a trust, at arm's length from the government, without political interference;
- 3) After the provincial debt is eliminated, put 50% of oil and gas revenues into the Fund, and put 100% of income generated by the Fund back into the Fund;
- 4) Require the approval of voters in a province-wide referendum for any changes to the Fund's mandate, or for withdrawing money from the Fund's principal;
- 5) Eliminate personal income tax once the Fund generates enough income to replace income tax revenue;
- 6) Ensure the Fund is adjusted for inflation each year; and then
- 7) Maintain a balanced budget.

Name: \_\_\_\_\_ Address: \_\_\_\_\_

Signature: \_\_\_\_\_

**Please complete and return to: The Canadian Taxpayers Federation:  
Capital Place Building, 410-9707 110th street, Edmonton, AB T5K 2L9  
Fax: 780-482-1744**



Healthcare in Saskatchewan:

## Thinking Outside the Box

Fifty-two percent of respondents in an May 2000 Angus Reid poll identified health care as their top national concern and another 90% identified it as the highest priority for our governments in the future. Why? The reason is clear from the same polling data: 80% of all Canadians believe the health care system is in crisis.

Even with additional resources being pumped into health care by governments, the future of health care, especially in Saskatchewan, remains threatened by demographic trends and the cost of new technology. Unless significant reforms are made to our system of health care, it will not be sustainable in the future.

It's time to modernize the *Canada Health Act* to include new principles like quality, accountability, sustainability, and choice. It's time to think outside the box.

### The Condition of Health Care in Canada

Canadians deserve to hear the real story about the state of Medicare. The reality is that the five "sacred" principles of the *Canada Health Act* (universality, ac-

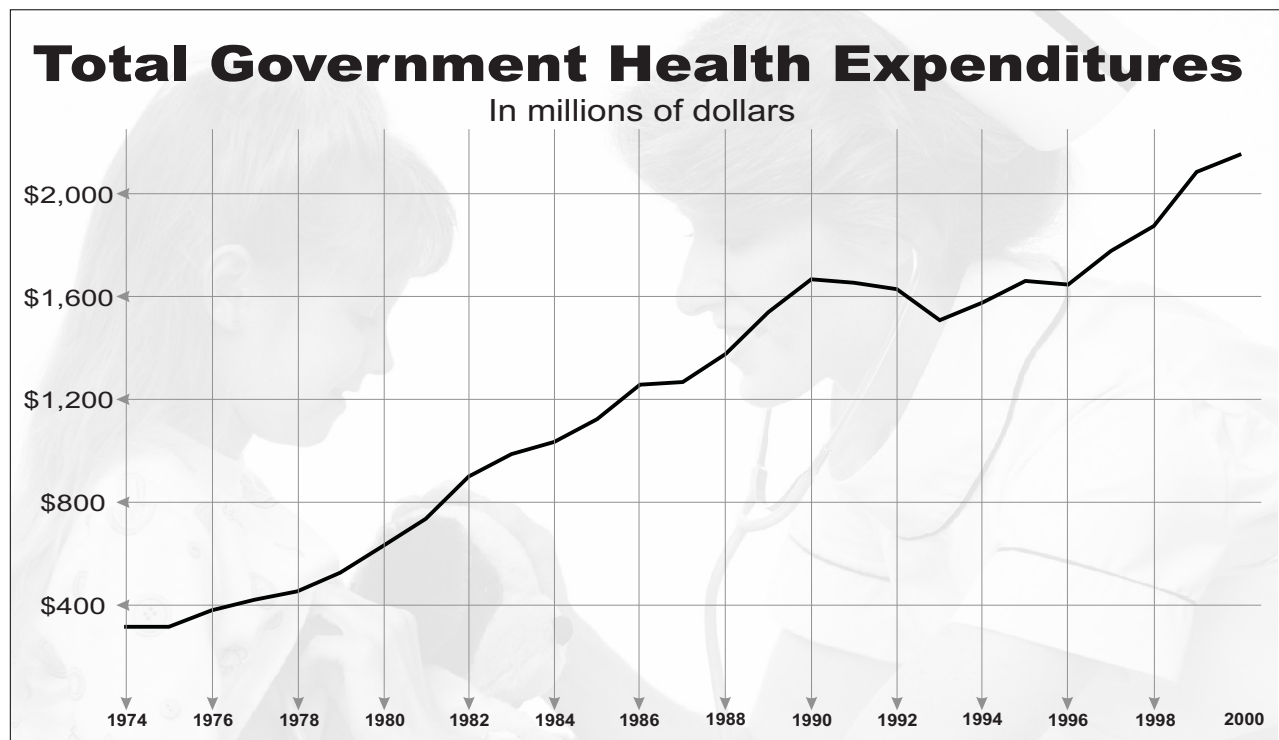


Richard Truscott  
Saskatchewan Director

cessibility, comprehensiveness, portability, and public administration) are, for the most part, violated each and every day in Canada.

A May 1999 Angus Reid poll, commissioned by the Ontario Medical Association, found that 71% of Canadians want to change the *Canada Health Act* because the five founding principles do not meet the country's current health care needs.

The politicians have responded by devoting more public spending. In September of last year, Ottawa and the provinces signed a five-year deal that will boost transfers to the provinces in support of health from \$15.5 billion currently to \$21.1 billion by 2005.





# SASKATCHEWAN

The federal and provincial governments should be commended for acknowledging that there are serious problems facing health care. But simply pouring more money in the top is not the long-term answer. And by refusing to look outside the parameters of the existing *Canada Health Act*, policy-makers are excluding a wide range of potential remedies.

## Health Care Costs Are Soaring

The health care system's appetite for dollars seems insatiable. Since 1980, health care costs in our country have exploded, rising much faster than inflation, population and GDP. Health care spending in Canada now tops \$95.1 billion. Public spending rose 6.7% in 1999 and 7.7% (forecasted) in 2000 for a total of \$67.6 billion. In Saskatchewan the upward trend is the same. Health care expenditures have been increasing at a rate of about 8% - 11% each year for the past three years.

## A Strong Health Care System Needs A Strong Economy

Obviously, a strong health care system needs a strong and growing economy to support it. But our high taxes suppress the economic potential of the province and encourage out-migration of people and business. A smaller, poorer tax base cannot support growing health care needs. But a larger, more prosperous tax base can support health care at reasonable tax rates.

The provincial Medicare Review Commission's "Caring for Medicare" discussion paper says that poverty and associated problems (poor nutrition, poor housing, lack of education and opportunity, etc.) are at the root of many health care problems. A strong economy that produces good jobs and good wages is obviously the best way to combat the poverty and provide the proper resources for social programs.

## The Demographic Challenge

One of the most important issues facing the long-term wellbeing of Canada's health care system is demographics.

Canada has an ageing population. In 1966, the ratio of workers to retirees was 8 to 1. It is currently 5 to 1 and in less than two decades it will be 3 to 1. Obviously, these statistics will have important ramifications not only for our public pensions, but for health care as well.

Saskatchewan suffers from a triple whammy. First, our province has a stagnant population. Saskatchewan's population only grew by 0.3% from 1991-1999.

Second, we have a rapidly aging population. Compared to the rest of Canada, we have the highest number of seniors and children compared to working age people. The fact that our province has the highest proportion of people 65 and older is doubly important since providing medical services for seniors accounts for approximately 50% of health care expenditures.

Finally, our native population is growing much faster than the rest of the population - at a pace of 3% to 4% per year. Since the native population tends to be poorer, this poverty leads to more health problems and higher health care costs. Being poorer they are also less able to pay taxes, and (moreover) Treaty Indians are eligible for several tax exemptions that may grow as a result of current court actions.

If the percentage of native people in Saskatchewan rises to a third of the population in 25 or 30 years as is predicted, and they are not paying taxes, it would starve funding for important social programs like health care upon which many native people themselves rely.

As a result of all these trends, Saskatchewan's tax base may have limited potential to expand to pay for increased health care costs. Change is not a matter of "if", but of "when" these trends will force a change to the status quo. Otherwise, the inevitable result will be further rationing, a massive tax increase or more patients being forced out of the province for treatment, or all three.

## Health Care's Unfunded Liability

Canada's public health care is a 'pay-as-you go' system, just like the Canada Pension Plan (CPP). Rather than accumulating and building funds in savings accounts now to pay



**In 1966, the ratio of workers to retirees was 8 to 1. It is currently 5 to 1 and in less than two decades it will be 3 to 1. Obviously, these statistics will have important ramifications not only for our public pensions, but for our health care as well.**

# SASKATCHEWAN

future bills, current contributions (payroll deductions in the case of CPP, and general tax revenues for health care) are used to pay for current costs.

As a result, a massive unfunded liability has been created. In other words, under the present arrangements, current and future generations of taxpayers have made a promise - indeed assumed an obligation - to provide comparable health care in the future.

The future liability of the Canada Pension Plan is an incredible \$485 billion. The future liability in the health care system, however, is an unbelievable \$1.2 trillion dollars. That amount represents our current obligation to provide health care in the future.

A recent study by the Association of Pension Managers suggests that public spending on pensions and health care could rise from 13% of economic output to 23% in 2030. According to other actuarial reports, just to maintain the status quo in health care by the year 2025, taxes would have to increase as follows:

- A 70% increase in federal and provincial personal income tax rates,
- A 400% increase in the GST from 7% to 35%, or
- An increase in payroll taxes to 17% of gross pay.

How can we possibly pay for this?

The missing link is "capitalization".

In other words, setting aside money for your future retirement (in the case of the CPP) or your future health care. Ottawa has recognized this with the CPP. It is currently investing part of the excess CPP premiums to build a fund from which baby boomers can draw benefits when they hit retirement age. But in health care, the government steadfastly refuses to plan for future health care costs. Governments need to take immediate steps to address this massive unfunded liability, and protect patients - who should not, and need not, suffer because of the failure of our governments to recognize the extent of this problem.

## Finding the Funds / Controlling Costs

So how do we pay for immediate needs if not through higher taxes?

### Prioritize Spending

If more funding is needed for health care, some of it should come from cuts in more wasteful or less important gov-

ernment programs. But health care in Saskatchewan already consumes 40% of the provincial budget. Realistically, the financial sustainability of our health care system must be achieved through greater efficiency in health care itself or by finding funds elsewhere.

### Private Funding

74% of health care spending in Saskatchewan is public spending, compared to the Canadian average of 70%. This suggests there is some minor room to expand the role of individuals and private insurers in funding health care in Saskatchewan.

Canadians seem willing to undertake a greater role in funding their own health care needs. In an August poll, 58% of Canadians supported restricting Medicare to "a set of core services." A February 1999 poll, 61% of Canadians agreed that they "should be allowed to buy any surgery or lawful medical service they want."

### Efficient Spending

Ultimately, the financial sustainability of our health

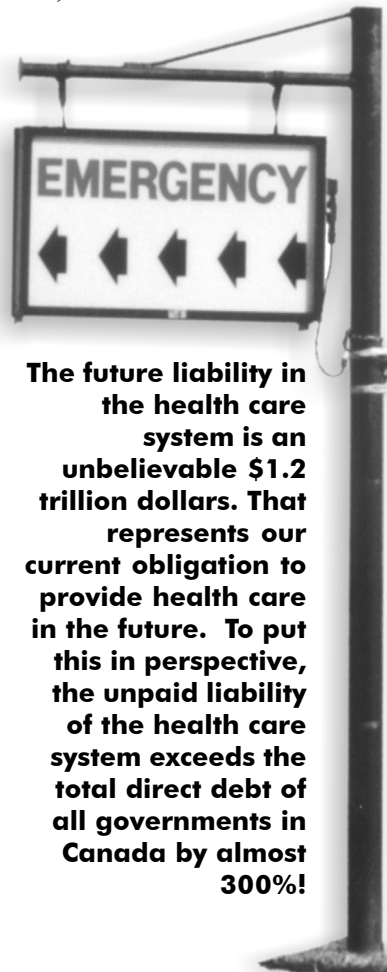
care system must be achieved through greater efficiency and better allocation of resources, not simply the application of more public or private funds.

The Americans, for example, spend much more than we do (both privately and publicly) for a health care system that is in many ways inferior to ours. A recent study of Canadian health care by Martin Zelder of the Fraser Institute showed that increased health care spending did not improve health care outcomes (i.e. reduced waiting times) except in drug spending and capital spending. Clearly we need to get better bang for our health care buck.

So how do we allocate existing health care dollars more efficiently?

### Using market tools to control costs

Zelder's study suggests that the health care system as it operates in Canada does not channel funds to



**The future liability in the health care system is an unbelievable \$1.2 trillion dollars. That represents our current obligation to provide health care in the future. To put this in perspective, the unpaid liability of the health care system exceeds the total direct debt of all governments in Canada by almost 300%!**

where they are needed most. The public health care system has no efficient control on costs, and no “non-bureaucratic” means of allocating resources. Since Medicare is a “free service” to the health care consumer, and physicians are paid on a “fee for service” basis, there are powerful incentives to overuse or misuse the system. The introduction of “efficiency incentives” is needed.

## Doctor-based efficiency incentives

One option is the so-called “capitation model” which pays physicians on a per-patient basis, rather than fee-for-service basis, thereby encouraging them to use the system more efficiently. This is currently being explored in Ontario (primary care reform) and is not dissimilar to the operation of health maintenance organizations in the U.S.

But making physicians the financial gatekeepers of the health care system might pit them against their patients, who are not impacted by the costs of using health care. Both doctors and patients have to be involved if efficiency incentives are to work.

## Consumer-based efficiency incentives

Several researchers have looked at ways of giving individuals control over their own portion of public health care spending to encourage cost savings. All these proposals have some things in common:

- They promote the efficient spending of public money in a publicly funded health care system through financial incentives to health care consumers;
- They are not intended to raise money, but to control costs;
- They empower consumer choice in health care, and rely on the ability of doctors to compete with one another on costs and fees;
- They do not inhibit access to the health care system.

For example, David Gratzner, the author of *Code Blue*, proposes giving everyone a medical savings account for primary health care needs each year. If the account runs out in a certain year, you pay for costs “out of pocket” until you reach the deductible on your insurance. But if you don’t exhaust your account in any one year, the surplus is carried forward for future medical expenses.

The Consumer Policy Institute (CPI) proposes health

care allowances that are replenished yearly by the government. If you spend your allowance you pay out-of-pocket until insurance kicks in. If you don’t spend your allowance, half goes back to the government, and the other half you keep for future medical expenses and eventual investment in an RRSP. CPI wants certain preventative health measures to remain completely “free”.

James Gilles of York University proposes giving everyone a publicly-funded health care debit card. Once the card runs out the insurance kicks in, but any unused amount on the debit card in any single year is awarded to you as taxable income.

Robert Macintosh, former head of the Canadian Bankers Association says that an individual’s health care costs should be added to their tax bill at the end of the year as a “taxable benefit”. There would be a ceiling to protect against catastrophic costs and exemptions for the disabled, seniors, dependants, etc.

These are innovative proposals for enlisting health care consumers in the battle to contain health care costs and make health care spending more efficient. We believe that Saskatchewan can be a “test bed” for such proposals.

## Conclusion

Canada’s ability to finance our health care system is in desperate need of reform. But securing the future of health care requires thinking “outside of the box”.

The mythology surrounding Medicare is so thick that an honest open discussion of its future has become the political equivalent of kryptonite. Our inability to discuss its shortcomings will prevent us from making progress towards solutions. How tragic it would be if Medicare died on the table because we lacked the foresight and the courage to do what is needed to save it.

There is a saying that “only Nixon could go to China.” In the same way Saskatchewan, as the birthplace of Medicare, may be the place where serious reforms must spring from. To a country full of politicians who are afraid to even discuss health care, we must find the foresight, the flex-

ibility, and the courage to show the way. ■



**One option to reduce costs is to pay physicians on a per-patient basis, rather than fee-for-service basis, thereby encouraging them to use the system more efficiently. This is currently being explored in Ontario.**

## The State of Manitoba in 2001

To kick-off the pre-budget season, Manitoba director Victor Vrsnik met with Finance Minister Greg Selinger in late January to present the CTF's recommendations for the 2001/02 provincial budget. A day later he made the same presentation to Opposition Leader Stuart Murray.

by Victor Vrsnik

Not unlike Stanley Kubrick's epic flick that comes of age this year, Manitoba's own "2001: A Tax Odyssey" is shaping up to be an unfulfilled fantasy.

When the movie 2001 premiered in 1968, Kubrick foretold travel to Jupiter and homicidal computers. Unless NASA is keeping things under wraps, Kubrick must be disappointed with today's pace of technological change.

Meanwhile, back on earth, the feelings of frustration with resistance to change are mutual. Year 2001 has come with few dramatic achievements to the province's finances. If the 1995 passage of Manitoba's balanced-budget

law is the province's equivalent to the walk on the moon, there has since been little to celebrate.

Today's expectations of controlled spending, debt repayment and affordable taxes are denied with the same tired and ideologically driven excuses. Hence, oversized and meddling governments continue to thwart economic growth and tax the capacity of people to accomplish even greater scientific feats.

Over a third of Manitoba's tax revenues come from the nanny state through federal transfers. The goal for 2002 should be economic independence from caregiver provinces like Alberta and Ontario. Nothing short of dramatic restructuring of the tax regime,

spending priorities and the government apparatus will do.

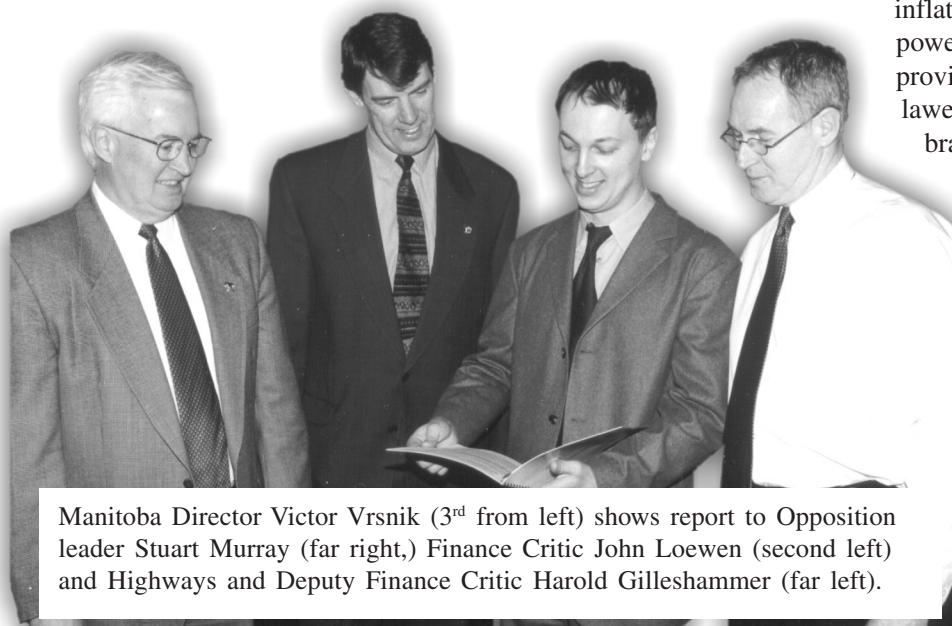
Like all spending addicted provinces, a ten-step program will help the Doer government on the road to recovery.

**1. Fully index the tax brackets / credits to inflation. As tax brackets increase with inflation, a greater portion of personal income would be subject to the lower tax rates, meaning you pay less tax.**

In 2000, the province collected approximately \$113 million in extra income tax revenues on account of bracket creep. Those out-of-pocket costs should be returned to Manitoba taxpayers as a way of combating the negative effect of inflation on their purchasing power. Manitoba is one of the only provinces that has not yet outlawed stealth taxation through bracket creep.

**2. Don't introduce new taxes such as a green tax.**

The tax system should not be used as an instrument of social policy, designed as a means to political or ideological ends. Taxes are a vehicle for raising revenues. Social policy issues should be addressed through government programs



Manitoba Director Victor Vrsnik (3<sup>rd</sup> from left) shows report to Opposition leader Stuart Murray (far right), Finance Critic John Loewen (second left) and Highways and Deputy Finance Critic Harold Gilleshammer (far left).



and services, not the tax system.

### 3. Create a flatter single rate of provincial income tax competitive with other provinces. Alberta's personal income tax falls to 10% for all income earners this year.

The purpose of the single tax bracket is to fashion a fair system where all Manitobans pay the same rate of provincial income tax on their taxable income. The tax system would maintain progressivity in the sense that higher income earners will still pay more taxes than lower income earners.

### 4. Raise the \$7,361 basic personal exemption and the \$6,251 spousal amount to a level competitive with the \$12,900 rate recently set by Alberta.

The province should opt to exempt more low-income taxpayers and income from taxation by setting a higher Basic Personal Exemption. While the province currently uses tax credits to eliminate provincial income taxes on the working poor, a BPE set significantly higher - and indexed for inflation - would accomplish much the same task and highlight the difference between a generous Manitoba personal exemption and the woefully inadequate federal personal exemption.

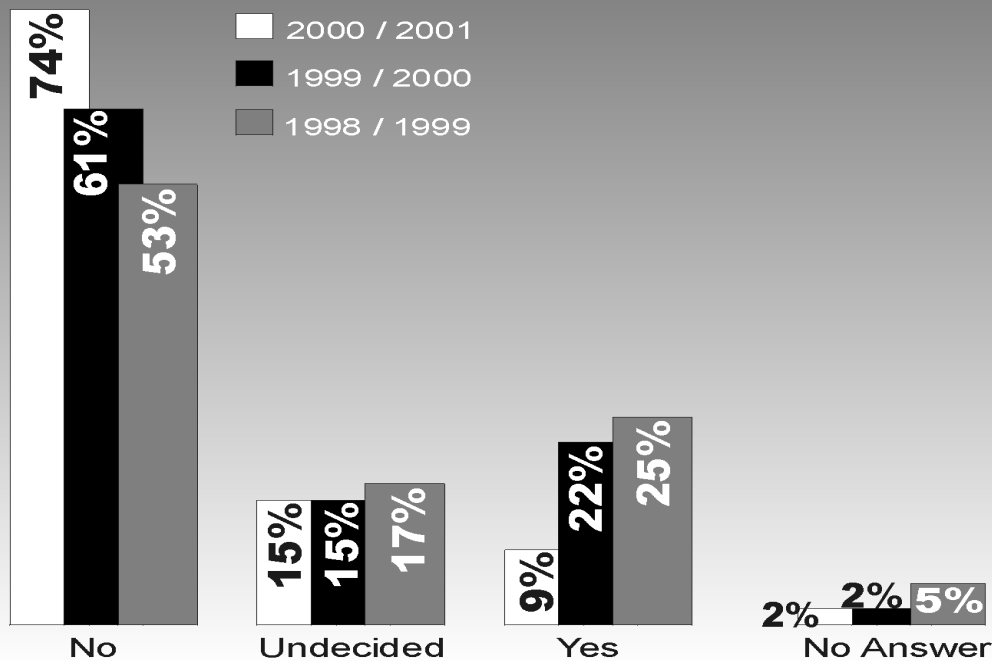
The province should not introduce any new tax credits

## 2000 / 2001 Bracket Creep Status Card

Province	Indexation of Tax Brackets and Basic Exemption	Indexation of Non-Refundable Tax Credits
Federal	Yes	Yes
British Columbia	Yes	Yes
Alberta	Yes	Yes
Sask	Yes in 2003	Yes in 2003
Manitoba	No Announcement	No Announcement
Ontario	Yes	Yes
Quebec	Yes in 2003	Yes in 2003
New Brunswick	No Announcement	No Announcement
Nova Scotia	No Announcement	No Announcement
PEI	No Announcement	No Announcement
Newfoundland	No Announcement	No Announcement

## 2000/01 CTF- Manitoba Supporter Survey Question:

Do you feel current provincial tax rates and taxation policies allow Manitoba to successfully compete with other provinces for new business development? (Percentage response)



to Manitoba's income tax system.

Many of the possible advantages of calculating the provincial tax on income, even where there is one rate of taxation and a generous Basic Personal Exemption, will disappear should the province introduce a myriad of credits.

## 6. Balance the budget and continue to pay down the debt in accordance with the debt repayment schedule.

Manitoba prides itself on its balanced budget law. It worked for five years on account of stiff pay penalties for politicians who ended the year in the red. Other provinces modelled their BBL on Manitoba. Manitobans should consider how a deficit would affect the province's credit rating, ability to

attract business investment, and employment opportunities.

## 7. Freeze overall government spending for two years with the possible exception of health care spending. Increases to health care spending should be funded by a redirection of existing budget envelopes.

CTF survey results show supporters targeted cultural grants, arts grants, business subsidies and sports grants for possible budgetary savings.

## 8. Introduce competition, privatization and alternative service delivery to government. Cut and combine provincial ministries. Avoid bureaucratic hiring frenzies. Put all subsidy pro-

## grams and crown corporations under the microscope and under the knife.

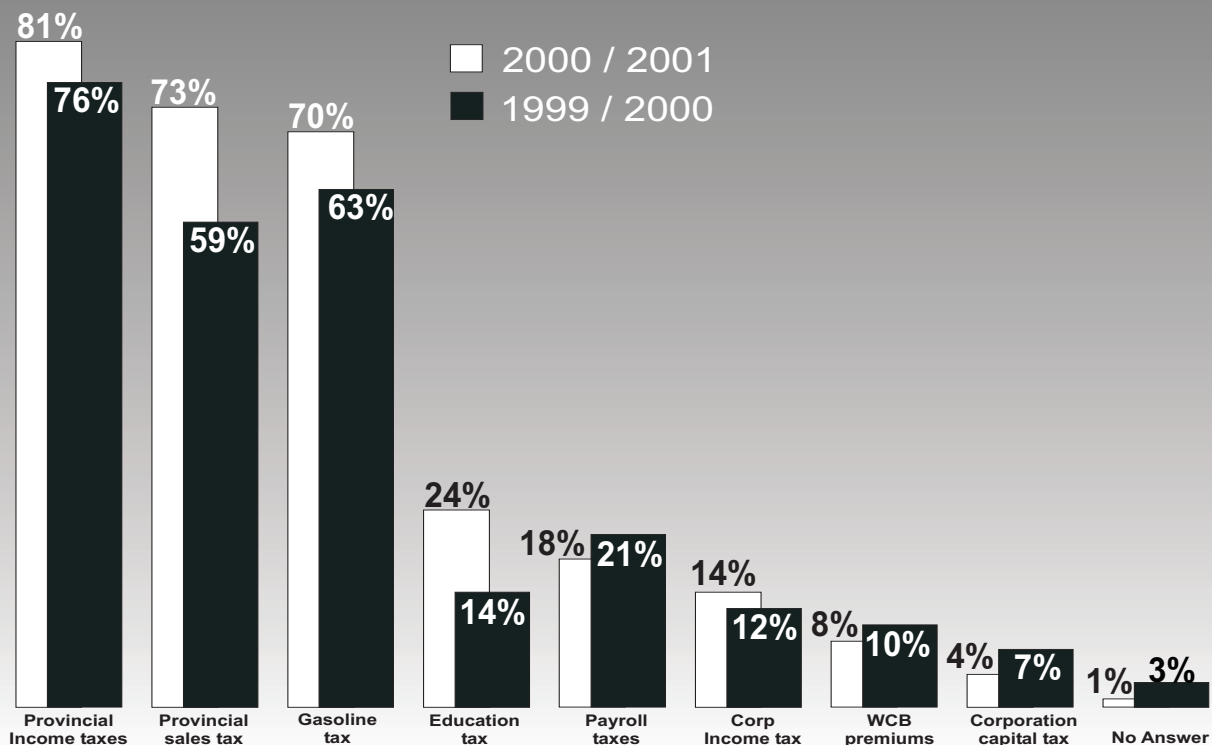
Spending restraint could be augmented by potential crown privatizations, namely provincial resorts, Manitoba Liquor Control Commission, and Manitoba Public Insurance Corporation. Revenues from crown sales could be applied toward debt relief, which would ease the province's burden of debt servicing costs.

## 9. Abandon any plans to skim profits from Manitoba crown corporations in order to raise government revenues.

Support for government control over crowns such as Manitoba Hydro will likely deteriorate if energy prices rise on account of govern-

### 2000/01 CTF-Manitoba Supporter Survey Question:

If provincial taxes were to be cut, which three taxes would you give the highest priority for reducing or eliminating?



ment skimming of Hydro profits.

## 10. To control rising expenditures and tax grabs, extend the Manitoba Taxpayer Protection Act to municipal governments and school boards.

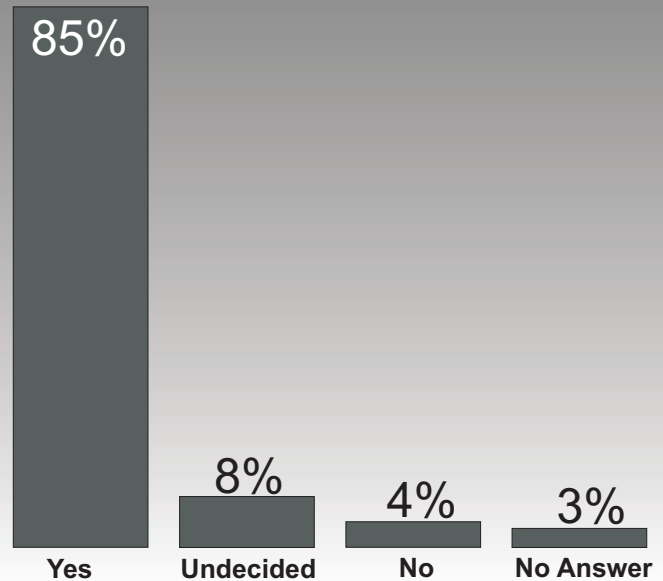
Many municipalities in the province are be-devilled by local governments and school boards that increase taxes to cover rising expenditures. Savings from provincial tax cuts can be stripped away by a commensurate increase in school taxes or realty taxes.

While spending by the provincial government is disciplined by the Balanced Budget Law and Taxpayer Protection Act, other levels of government are not governed by the same spending restraint mechanism.

Limiting government and lowering taxes may be a bitter pill to swallow for the Doer administration, but in the long run will ensure the money continues to roll in for publicly funded health care and education programs. Besides, we'll all be a little richer for it. ■

### 2000/01 CTF-Manitoba Supporter Survey Question:

The Manitoba Taxpayer Protection Act forces the government to hold referendums on provincial tax increases. Should school boards be forced to hold referendums on educational tax increases as well?



## Ten Year Comparative Property Tax Levy on a Sample House in Winnipeg 1991 - 2000

Year	Property Tax Levy						Provincial Property tax credit	Net Property tax levy (after credit)	% change
	Municipal	% Change	School	% change	Total	% change			
2000	1456	-2.0%	1350	2.4%	2806	0.1%	325	2481	-2.9%
1999	1485	0.0%	1318	3.5%	2803	1.6%	250	2553	1.8%
1998	1485	0.4%	1272	1.6%	2757	0.9%	250	2507	1.0%
1997	1479	1.9%	1252	1.2%	2731	1.6%	250	2481	1.7%
1996	1451	0.0%	1237	4.8%	2688	2.2%	250	2438	2.4%
1995	1451	2.5%	1178	3.7%	2629	3.0%	250	2379	3.3%
1994	1415	1.6%	1135	1.6%	2550	1.6%	250	2300	1.8%
1993	1392	1.3%	1117	1.2%	2509	1.2%	250	2259	4.7%
1992	1374	0.7%	1104	-0.1%	2478	0.4%	325	2153	.04%
1991	1364	%	1105	%	2469	%	325	2144	%

Source: City of Edmonton, Planning and Development Department, October 2000. Notes: 1. The sample house is defined as a 10 to 15 year old detached three bedroom bungalow with a main floor area of 1,200 square feet, full basement, but no recreation room or fireplace, one car garage, on 5,500 sq ft lot.



**In Ottawa alone, local hospitals need to raise \$232 million of a total \$600 million capital bill. While the foundations will attempt to raise about \$112 million privately, they are asking the City of Ottawa to pony-up the other \$120 million through a proposed 10-year, \$40/household property tax levy.**

## Hospital Expansion on the Property Tax Base...

# Perhaps

*By Walter Robinson*

In early February, several CEOs from Ottawa area hospitals released a survey (conducted by Decima research) indicating that 83% of Ottawa residents “strongly support” or “support” local municipal government participation in providing funding for major capital projects at local hospitals.

Hopefully you’re screaming “wait a stinkin’ minute,” and asking, “aren’t hospitals a provincial responsibility? Why are taxpayers being asked if they wish to support hospital construction, presumably through increases to their property taxes?” Indeed, these are fundamental and pressing questions.

The answers lay in looking at what happened a few years back when the provincial government embarked on its

far-reaching health care reform agenda. It created the Health Services Restructuring Commission (HSRC) to close/merge hospitals and regionalize health care delivery.

To be fair, the HSRC was set up as an arms-length body from government to remove, or at least minimize, political interference in heated and more often than not, contentious merger/closure debates. So it set about its business of closing and merging hospitals.

But the HSRC vastly underestimated amalgamation and capital costs for facilities across the province, including Ottawa. In some instances the construction costs for new operating rooms were under-estimated. In other cases, population growth and aging indexing factors were far too low. Even as an arm’s length body, the HSRC was still responsible to its political masters, and its masters are still responsible to citizens and taxpayers.

In total, the HSRC identified some \$2.8 billion in



province-wide hospital infrastructure needs. Conservative estimates by various hospitals put this number closer to \$4 billion while some note that \$5 billion or more may be necessary over the next decade. The province has agreed to pick up 70% of restructuring related costs, leaving local hospitals to find the other 30%.

While communities have historically played a role in hospital fundraising efforts, 30% of a multi-billion dollar bill is unprecedented. Sadly, instead of showing political leadership on this file and owning up to HSRC's mistakes, the province has chosen to download the problem onto municipalities. And the official opposition Liberals haven't even batted an eyelash in protest.

In Ottawa alone, local hospitals need to raise \$232 million of a total \$600 million capital bill. While the foundations will attempt to raise about \$112 million privately, they are asking the City of Ottawa to pony-up the other \$120 million through a proposed 10-year, \$40/household property tax levy.

Several communities across Ontario will probably face similar demands in the near future. But local councils have no mandate to decide this issue. Such an approach was not discussed in almost any Ontario city during the November 2000 municipal election cycle. Further, we must all become aware that in

entertaining the demands of the hospitals, we could open a Pandora's box for future demands to fund other social services from the property tax base. What's next? The local school board looking to fund expansion through a special levy? Or perhaps a special local hotel tax to fund hospital operating deficits?

But returning to the issue at hand and barring a reversal of policy from the new Minister of Health, Tony Clement, local ratepayers will be left holding the bag. However, instead of seeing the glass as half-empty, it can be viewed as half-full. Ottawa (and other cities in the near future, for sure) can utilize the provisions in Ontario's *Direct Democracy Through Municipal Referendums Act, 2000* which received Royal Assent last June and hold referenda on the issue of using property taxes to fund hospitals.

A referendum would compel local hospitals to bring all their capital plans forward for public scrutiny and debate. As well, the philosophical question of using property tax dollars in this manner would receive a full and thorough airing. The province has dropped the ball on this issue. So it's up to local taxpayers to petition their councils to allow taxpayers to decide this issue when it arises, and sadly it will, in their own communities.

After all, in the final analysis, it is our money. ■



**Barring a miracle and a reversal of policy from the new Minister of Health, Tony Clement, local ratepayers will be left holding the bag.**

## Is the Ontario government adrift?

### *Advice for the new Finance Minister*



**Yes the budget is now in surplus and personal income taxes have been cut by 35%. And contrary to the prophets of doom, government revenues actually grew by almost 30% from \$49 billion to \$64 billion since 1995. But given the worrying signs of a looming economic slowdown ... all is not well.**

*by Walter Robinson*

**A**ll through January and early February, senior Cabinet ministers and Ontario PC party officials continued to deny that their government was adrift. But seasoned and even casual political observers were drawing a much different conclusion. In the absence of a clear and defined purpose, incessant Cabinet shuffle rumours – not to mention leadership rumours – speculation was fuelling Tory backrooms.

At the same time, the Ontario Tories kicked off their latest policy visioning (is this a verb?) exercise. Dubbed *Seizing Tomorrow's Opportunities*, the effort included an open-ended questionnaire as well as solicitation of public input through the party web site. The Premier stated, “this is a mammoth exercise of consultation.”

Then in early February, two bombs were dropped at Queen’s Park – almost one after the other. First, the Minister of Economic Development, Trade and Tourism, Al Palladini (who has since passed away) resigned his Cabinet post for personal reasons and less than a week later, Ernie “I balanced the budget and cut taxes” Eves, the popular Finance Minister, also took his leave for the private sector.

Now the new Finance Minister Jim Flaherty, must come up to speed pretty quickly and prepare to deliver a May budget in the midst of a North American economic slowdown. And while the Harris government is visioning away and talking about further tax relief and non-essential expenditure reductions, talk and policy wonk exercises are no substitute for action. Much action is still needed when it comes to Ontario’s finances.

# ONTARIO

To be fair, the government has acted on several CTF suggestions over the past few years. Last year's moves to de-link the provincial tax system from Ottawa's regime as well as ending provincial bracket creep were positive.

Yes the budget is now in surplus and personal income taxes have been cut by 35%. And contrary to the prophets of doom, government revenues actually grew by almost 30% from \$49 billion to \$64 billion since 1995. But given the worrying signs of a looming economic slowdown (surplus inventories, corporate layoffs, a drop in the trend-setting U.S. 'Fed' rate of 200 basis points in the last few months month alone), if not a mini-recession, all is not well.

Almost 15% of government revenues are now derived from gambling proceeds, liquor sales and various fees and licenses. They will be the first to plummet as the economy slows.

On another front, servicing Ontario's monster \$112 billion debt represents 15 lost cents out of every tax dollar collected. Moreover, Ontario has not curtailed its expenditures to the extent some critics would have you believe. Since 1995, total government spending is up by 11%.

Two ministries alone – healthcare and education – now account for 54% of all government expenditures. And each has seen its spending jump by over 20% since the Tories took power. This is not to say that some of these expenditures were not

warranted, rather it is to sound the alarm bell that if allowed to continue unchecked, spending in all other ministries will have to be re-examined and no doubt, cut.

Finally, given the demands from various cities for a new funding deal on everything from social welfare to infrastructure, as played out daily on the pages of the Toronto newspapers, taxpayers can be forgiven if they are a touch concerned with the Harris governments ability to manage through the difficult times ahead.

So what is the government to do? Basically, it should finish the job it was elected to do some five and a half years ago. Truly putting large-scale public enterprises such as TVO and the LCBO in the window as real candidates for privatization (full or partial) or employee takeover is a necessity. The May budget would be the ideal occasion to signal this intent.

Continuing and accelerating primary care reform and electronic patient records in health care to facilitate better care at a lower cost to the public treasury can't be delayed any further. And a more aggressive (read: legislated and long-term) plan to pay off the debt before 2030 must be included in the spring budget.

The common sense revolutionaries should finish their first war before drawing up new battle plans. Again, Minister Flaherty's first budget this May

provides the most opportune moment to signal the battle is still being waged.■



**Two ministries alone – healthcare and education – now account for 54% of all government expenditures. And each has seen its spending jump by over 20% since the Tories took power.**



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